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THE CHRISTIAN ETHIC AS AN ECONOMIC
FACTOR

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CHRISTIAN ETHIC
AS AN
ECONOMIC FACTOR

THE SOCIAL SERVICE LECTURE, 1926

BY

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PREFACE

THIS little book expands the spoken lecture, not, indeed, into a complete treatise, but so far as may be needed to give in greater detail the points then emphasized. For the subject is so wide that neither lecture nor book pretends to do more than touch some fundamental issues of a general character which in my view are either overlooked or often maltreated by most exponents of the Christian ethic in their attitude to daily affairs. I have taken for granted, having regard to the character of my audience, a considerable standard of real faith in the potency of the Christian doctrine as a dynamic. Economic matters I have treated in as elementary and general a way as possible, though here and there I have had to refer, without exposition, to certain central economic doctrines for further elucidation of which I must direct readers to appropriate text-books. Economics, like any other science, requires hard work from its student, and no one has any right to expect that its teachings will be clear or self-evident—still less agreeable. But I have endeavoured to make those references intelligible in the context.

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- Goods :* Nay, Everyman, I sing another song.
 I follow no man in such voyages ;
 For an I went with thee
 Thou shouldest fare much the worse for me ;
 For because on me thou did set thy mind,
 Thy reckoning I have made blotted and blind,
 That thine account thou cannot make truly ;
 And that hast thou for the love of me.
- Everyman :* That would grieve me full sore,
 When I should come to that fearful answer.
 Up, let us go thither together.
- Goods :* Nay, not so ; I am too brittle, I may not endure ;
 I will follow no man one foot, be thou sure.
- Everyman :* Alas, I have thee loved, and had great pleasure
 All my life-days on good and treasure.
- Goods :* That is to thy damnation without lesing,
 For my love is contrary to the love everlasting.
 But if thou had me loved moderately during,
 As to the poor to give part of me,
 Then shouldest thou not in this dolour be,
 Nor in this great sorrow and care.
- Everyman :* Lo, now, I was deceived or I was ware,
 And all I may wyte my spending of time.
- Goods :* What, weenest thou that I am thine ?
- Everyman :* I had wend so.
- Goods :* Nay, Everyman, I say no ;
 As for a while I was lent thee,
 A season thou hast had me in prosperity ;
 My condition is man's soul to kill ;
 If I save one, a thousand I do spill ;
 Weenest thou that I will follow thee
 From this world ? Nay, verily.
- Everyman :* I had wend otherwise.

EVERYMAN (*Morality Play*, c. 1490).

The Christian Ethic as an Economic Factor

I

INTRODUCTION

I. SCOPE AND PURPOSE OF THE SOCIAL SERVICE LECTURESHIP AND OF THE OPENING LECTURE

THE purpose of this Social Service Lectureship has been laid out within limits which, though wide, are, generally speaking, definite and practical: 'To set forth the social implications of Christianity, and to further the development of a Christian sociology and the expression of the Christian attitude in reference to social, industrial, economic, and international subjects.'

A grave responsibility rests upon the one who is first called upon, and has to begin this work. It is possible by a false opening to bias the direction of the work of subsequent years, and to introduce elements which, though insignificant at the outset, may by the passage of time be aggravated or widened into weaknesses or defects that need never have been. The scope is wide enough to embrace most of the morally progressive ideas which prevail as schemes and ideals in the more thoughtful minds of to-day. But it is also narrow enough to exclude that part of those ideals which finds its base in purely utilitarian or sometimes even purely humanitarian feeling.

I can project my mind far into the years to come and see a series of wise and practical discourses upon the several applications of Christian ideas to different practical affairs. There will be treatment in detail of many aspects of the development of the home, of family life, of democratic government, and of political ideas ; of the canons of judgment and propriety in publicity by Press, stage, platform, and wireless ; of the relations of the different partners in the industrial organization ; of the relations of the sexes, and of the population enigma ; of the responsibility of man to his fellows in the way he spends his time, his leisure, his money, and in all the varied practical ways man's inner motives prompt him to action which affects the lives of others, and, indeed, his own after-life. I have little doubt, knowing the trend of the thought of the time, that the majority of these discussions will be wholly or partly within the economic field concerned with ideals in the pursuits of industry, the conditions under which it is carried on, and the distribution of its results or proceeds—the material betterment of man.

It has seemed most natural, therefore, to me that I should attempt a general introduction to this class of separate studies, and leave the more detailed practical applications for others in later years. It seems that a preliminary sketch of the principles which must determine the *ground plan*, so to speak, revealing its limitation of extent, its more precise position and general character, without any attempt at showing architecturally in elevation, as it were, any actual structure thereon, is likely to be of greatest service at this stage. I well realize that it is not the task which is likely to attract the most superficial and popular interest, or create the most sudden enthusiasm. But if subsequent work is to be sure and true, this is, however prosaic, an essential stage of inquiry.

It is, moreover, clear to me that many earnest minds are at sea to-day, without rudder or compass, in these matters,

misdirecting their efforts, or working energetically to useless purposes when so much awaits them which would amply repay their thought in practical achievement.

The injunction on all hands that Christian principles must be made to prevail in industrial and social life seems to me to raise certain presumptions without duly weighing them ; and the numerous speeches, conferences, and handbooks on the subject make certain assumptions without testing them. The common haste to get to the ' heart ' of a subject in its practical aspects creates a tendency to ignore certain fundamental considerations. I make no apology, therefore, for much abstract generalization, using the so-called practical applications on this occasion as illustrations and indications of my ideas.

2. WHAT ARE WE TO UNDERSTAND BY THE CHRISTIAN ETHIC ?

We should understand, for this purpose, as the Christian ethic, something more than a body of doctrine or teaching, a set of principles or rules on spiritual and yet logical lines, and our discussion must go beyond the question whether these principles are ' consistent ' with some form of modern social and industrial life. The Christian ethic is also a dynamic, modifying the spirit and will of man, touching his *power* to do, as well as his *knowledge* of what should be done. It covers not only the scope of Christian ideas as ideas worthy of pursuit if human nature could only be raised to the required standard of effort. It also touches the possibility itself. Indeed, it goes much further than that.

Suppose that the concrete body of ethical precept given by Christ, as a collection of illustrations of practical conduct, were found upon examination to be limited in strict application to the period and place when and where they were given, so that they were literally impracticable in a modern world where many new factors are present and many old

ones absent. There was, nevertheless, a spirit or principle which informed and lay behind those illustrations, and which can be reinterpreted in modern life, expressed as new ideals, and given new concrete presentations. These will equally be the Christian ethic. But they will equally be beyond the power of the ordinary man to reach, if he be not given the dynamic of the Christ spirit and purpose. A 'changed heart' is plain English to such an audience as this.

For the purpose of this discussion I mean, then, by the term 'the Christian ethic,' the whole body of Christian ideals as originally given, and as now interpreted in modern conditions, after taking away or ignoring all that part which already forms an operative part of general modern social ideas. We are not concerned with what has already been absorbed in the standards of decent and right conduct, but rather with what is still generally found wanting. It is unnecessary and unprofitable for me here to enter into a long discussion as to the extent to which what is taken for granted to-day, and freely practised in life and business—absence of direct and obvious theft, falsehood, cruelty, and all the standards of 'decent' society—is due to Christianity, and how far this generally-accepted standard would have evolved under other influences. It is characteristic that when ideas are absorbed, the obligation to the source is forgotten or belittled, and the current idea of the Christian ethic is confined to the 'something more' or the 'something different.' The study of this obligation has often been made elsewhere,¹ and is outside my scope.

This, then, is the Christian ethic as a goal or set of ideals. But I also extend it to the ethic as a force or motive power. And I do not explore, or doubt, or emphasize its power to move men to action, to change their characters, motives, or ambitions. Each of you must determine for yourself whether in this regard it has shown its power in the past,

¹ e.g. Dr. Ballard's *Christian Reality in Modern Light*, 1916.

possesses to-day undiminished vitality, or, if not, is capable in the future of being raised to the same possibilities. This is not a study in regeneration, its methods and results. I merely postulate that the Christian ethic possesses regenerative and redemptive qualities and sustaining force.

3. THE TRANSLATION OF THE ETHIC INTO MODERN CONDITIONS

I do not by any means dismiss a discussion of the close application of the Palestine precepts to modern life. I only say that I am much more concerned with the modern application of their spirit, and the possibility of men on a wide scale being voluntarily responsible for their application. I say 'voluntarily' because the idea of legalistic or compulsory meekness or humility or mercy, or purity of heart or peacemaking, is a contradiction in terms. I am more concerned with what are finely called, in the terms of reference, the '*implications*.'

It might be—I don't say at this stage that it is—demonstrable that you could not sustain a population of forty-six millions in this country in intricate and involved industrial relationships, with perpetual dependence upon foreign trade, if the national economics involved the principle of going two miles whenever there existed an obligation to go one mile, or the principle of selling everything and giving to the poor. It might be demonstrable that only the aggregation of certain productive powers in a select number of owners, and under their direction, is consistent with new ventures in large-scale production, and in pioneer work, and that with such ventures alone can the existing or growing populations be sustained at the present standard of life. It might, then, be a logical choice between a scheme, thus inconsistent with a single individualized precept, productive of the present British standard of life, and a standard of life—say that of the Hindoo—resulting from a literal

adherence to that precept. But I am not greatly concerned with this line of incompatibility—this class of deadlock.

The underlying principles of brotherhood, of unselfishness, of loving one's neighbour as oneself, remain. They can be reinterpreted in new forms. How far are these new forms consistent with what we regard as the essentials of modern life? There is a tacit assumption in many minds that the world would be better in a vague economic sense, as well as spiritually, if these principles prevailed. It is important that this assumption be carefully examined. Some of us would say these principles must prevail in industry even if the total productivity of industry were less, the total well-being of the ordinary individual less, and if the standard of life were generally lower than it would be on either individualistic or socialistic lines in the absence of such principles. But almost universally we have assumed the economic condition would not be worse, but better, with ethical betterment, and have thus begged the whole question.

Frankly, I can understand the attitude, even if I do not accept it, that Christian principles ought to prevail, however low the economic results may be, because economic results are of this world and temporal but Christian principles are spiritual and eternal. Man does not *exist* to gain the whole world, but he does irrevocably need to save his soul. So much follows from our belief in the nature of the future life. I say I can understand this, for it is, in a literally spiritual sense, a scientific attitude. It measures different kinds of values and deliberately chooses between them. But there is a common attitude based upon a line of thought which I think inadmissible. Here is this troubled world, full of people living what we consider to be a low economic existence, and discontented with it. We agree that poverty is bad soil for the growth of the Christian virtues—though it is hard to make this a Palestinian doctrine anyway. There are conditions that we say ought not to

be tolerated by a Christian people. They are a ground in which their principles are largely inoperative. *Post hoc, ergo propter hoc*. The low economic level is thought to be due to the lack of Christian principle.

Then we go on: 'Introduce Christian principles, and conditions will be improved, discontent will vanish, social evils will be overcome.' Frankly, I find this assumption unscientific and illogical. The logical fallacy is naked and simple enough when so stated, but disguised to deceive the elect when dressed out into heavy volumes on Social Economics and innumerable sermons on social improvement. It may indeed be that in seeking first the Kingdom of God all material things else shall be added. But there is much scriptural doubt to the contrary. And, *prima facie*, it is unlikely. A world that specializes in economic welfare is likely to excel in it. There is no guarantee that it will get as much of that particular boon, a lower class of welfare, by attending in priority to values of a different order.

4. IS THE ETHICAL INGREDIENT NECESSARILY BETTER ECONOMICALLY?

Suppose you find, on analysis, that high qualities of leadership and co-ordination are *essential* to such production as will maintain a vast population on present lines. How are such qualities to be enlisted? They may or may not be volunteered by those who feel conscious of possessing them. They may be discerned by the eye of the multitude, and people who are to be 'led' may, by natural and concerted instinct, choose the retiring and modest as their leaders; they may be distilled by the process of election from the democracy; they may be thrown up gradually, as it were, by a process of trial and error; or, lastly, they may arise because the circumstances of their own lives give them incentive and scope to put failure or success to

the test. Just look for a moment at these four methods of getting the essential leaders. Any of you who have a post-bag full of applications for positions know from experience that it is not those who put their own claims highest, and feel themselves great organizers, that in reality will prove to possess those qualities in the greatest measure. Many a great leader has been very modest as to his capacity and has gained confidence in himself, and created his own individuality, only by the steady proof of events, with growing responsibilities each leading up to the next.

To leave people to promote themselves on their own valuation does not square with experience. Equally, a democratic selection by inspection cannot be relied upon, and a process of periodic election is subject to obsession by platform ability. The process of competition, and the survival of the fittest, is pretty ruthless, and doubtless makes blunders; it often seems to be irreconcilable with Christian ideals. But it produces some leaders and captains of industry. Dare we assume that choice by Christian virtue or by a call by the motive of service and not profit, will automatically select leaders as efficient economically?

There is *possibly* an actual economic price to be paid for substituting ethical principles in ordinary economic life for existing economic principles. Are we prepared to pay it? How do we justify the common assumption that the economic lot of the average man will be a better one? I will give the root of this assumption later.

5. WHAT IS MEANT BY AN ECONOMIC FACTOR?

For the purpose of this discussion I include as an economic factor anything which has a definite influence upon the production of wealth or means of material well-being, and upon its distribution amongst the people who co-operate to produce and distribute it, either by the personal effort of body or mind or by putting their personal resources at

the disposal and use of others. It is obvious that the motives that lead men to co-operate or to divide, to work hard or to be idle, to be stodgy or to be ingenious, to be stupid or to be clever, to be thrifty or careless, to be provident or to live for the moment, to work for themselves or for their kin, to be exacting or easy-going, to be resentful of the claims of others or complaisant, are all motives which have an influence upon the possibility of producing, or the measure of production. These elements of character, temperament, and ability are all economic factors, but none of them produces an economic result by itself. Each has to react upon natural physical factors before material satisfactions exchangeable as wealth can result. The interaction of several factors is summed up and expressed as an economic principle, and we know of the factor only through its manifestation in a working principle. It is this field of human social action in which we have to study the Christian ethic.

6. THE NATURE OF THE TASK AND THE OUTSTANDING CLAIM

People seem to be mainly divided into two camps—those who think the Christian ethic may be of overmastering influence in economic affairs, and those who think it is of no account at all. Both points of view are paralysing in their effect upon practical betterment—they are far too easy to be likely. Henri Poincaré says, ‘To doubt everything or to believe everything are two equally convenient solutions; both dispense with the necessity of reflection.’¹

The claim most frequently made for religion from the pulpit is that it may be all-powerful in social and individual life. Thus a typical and popular teacher, J. Brierley, exclaims: ‘If we could get everybody’s soul saved in Great Britain, if every heart in it had been brought into right

¹ *Science and Hypothesis*.

relation with God and one's fellow, we should have the millennium inside of twelve months. Let our preachers, our evangelists, strike hard at the central point.' This quotation can be matched by many others.

I have noticed that the fervent and convinced statement on the platform that if only a spirit of universal brotherhood prevailed the problems of men would all be solved never fails to raise audible and enthusiastic assent. But such a statement is not merely woefully wrong in its emphasis ; it is also mischievous, because it dopes men's minds till they cannot see what action is really necessary, still less rise to action.

It is surely unnecessary for me to adduce illustrations ; they abound on every hand. Some emphasize less the *completeness* with which the world's troubles can be changed by Christian principles than the *ease and simplicity* of the process. I pick up a current journal,¹ and read from the pen of an earnest and practical writer : ' If we are aiming, as we profess, at the establishment of the Kingdom of God on earth, we must grapple with the big industrial and economic questions. *That does not mean we must bury ourselves in text-books and in complicated theories.* Christ's methods and teachings were very simple and direct. It has been the very simplicity of them that has baffled the learned. Our effort must be to use all our influence, both individual and collective, to mould national affairs on lines which we believe to be the divine will.'

Archdeacon Cunningham puts the matter very moderately when he says : ' Some preachers apparently look at the Christianizing of society as if it were a very simple thing, which could be carried through in a rough and ready fashion, without any deep and far-reaching changes, if only men would set about it. It seems to be assumed that the existing machinery of society would go on, if doses of Christian

¹ *Religion To-day*, p. 20.

² *The Brotherhood Outlook*, June, 1926.

sentiment were applied as a lubricating oil, to reduce friction, and Christian altruism were turned on as a driving force.'¹

7. THE EVILS OF OVER-STATEMENT

I confess to a feeling of irritation when I hear the glib statement, made from the platform or pulpit, which I know from personal experience to be so wide of the mark; and it deepens to despair when I see the easy acquiescence and approval with which it is received. When I reflect upon the nature of the problems that bring misery and suffering in the world, and the silent, hard-working, self-denying souls who are trying to solve them, I think such talk is ungrateful to the point of unchristian heedlessness. The ravages and ills of cancer and consumption, the problems of ability and skill set at naught by the derangement of a distant market, the vagaries of the foreign exchanges and depreciation of currency, with its impoverishment of many worthy people and all its other attendant ills, the population problem, with the standard of life—these, and a hundred others, look up and cry, not so much for warm hearts as for cool heads. I often wonder what would happen if the preacher suddenly got his desires—a community of perfectly changed hearts, ready with all the Christian virtues of self-denial and altruism, face to face with these problems, and with his promised millennium to achieve forthwith. I have scandalized Brotherhood friends by a rejoinder entitled 'The helplessness of religion.' It is true we meet hundreds who confuse and confound every attempt at social betterment by their heartlessness and selfish materialism. But, equally, there are hundreds of people of finest possible spirit and interest, genuine warmhearted enthusiasts, who cherish the most hopeless fallacies and wrong ideas on economic subjects, and are just as great a hindrance to real progress. If the

¹ *Christianity and Social Questions*, p. 206. In my judgement this is the sanest and best-balanced book on the whole subject.

moral conversion of the race is likely to be a slow task, so equally is the spread of clear ideas. A soul like a walnut and a mind like a rag-bag are the two enemies of all millennia.

Exaggeration of the power of the moral element to overcome social evils is not a mere careless exercise, which does no good and leaves no harm. It is positively vicious in at least three ways.

First: It encourages the average man in a mental indolence to which he is only too prone already, instead of rousing him to intellectual effort or to seeing that it is only by concerted mental effort, not necessarily creative, but able to discriminate false and true issues when presented to him, that social problems can be solved; it drugs him into the belief that:

Just the art of being kind
Is all the sad world needs.

Most people think, when they have found someone to blame for a situation, they have as good as explained it or solved it, and this passion for 'fixing the blame' universally takes the place of intelligent inquiry. It cloaks the fact that even the best-hearted can conscientiously differ in an industrial and social riddle, and that the issues involved are frequently not moral only, but require a patient unraveling and balancing of facts, with cautious experiment. The force of circumstances and the play of natural conditions are not enough reason for them. There must always be for them a human scapegoat; for

. . . every prospect pleases,
And only man is vile.

Second: Exaggeration of this kind leads to a deadly discouragement of all who are engaged in working hard to solve problems, with all their moral and mental resources. A patient and life-long worker in some social and industrial

problem hears the oracular statement that belittles all his work and virtually snubs it by making a facile claim to this moral short cut.

In the third place, this assumption that Christianity could, if it were only more Christian, put the world's ills right, is naturally accepted by many critics of the Church as a true statement of its power and aim, and its failure to reach that aim is judged accordingly. The world accepts the pulpit valuation of the Church wherever it is derogatory. It brings the Church unnecessarily into disrepute because the preacher himself has made a claim that, on reflection, is wanton and impossible of fulfilment without the aid of other elements than the Christian ethic.

There is a considerable field of economic principle in which, for most successful working, a higher ethical standard is an essential factor, but there are other non-ethical factors involved which limit the extent of change or betterment. We must examine the nature of economic principle before we can admit the justice of such a criterion as the Rev. A. E. Balch refers to when he says: 'There is no test of Christianity more really applied to-day than whether it is adequate to the solution of the social questions and problems of the times.'¹

¹ Balch, *Christian Ethics*, p. 252.

II

THE ECONOMIC PROBLEM

8. THE NATURE OF ECONOMIC PRINCIPLES OR LAWS

STUDENTS of scientific methods or of ethics will already be familiar with the distinction between different types of law—the law of physics or astronomy, mathematical law, the law of the courts, the moral law, and the laws of social sciences. Some laws can be changed, but not violated ; others can be violated, but not changed. ‘ Some of the laws of political economy are neither constant nor universal. They are not constant because they vary with different conditions of society ; they hold good among men who are swayed by certain motives, and within these limits they are inviolable. But change the condition of society, or the characters of the men who comprise it, and *in many cases* the laws will break down. . . . They are valid only on the supposition that certain conditions at present remain unchanged.’¹

Economic principles are not statements of what *ought* to be, or what always must be. They are statements of tendencies which *in fact* exist ; they summarize the net operation of a great number of conflicting forces, differing in kind and quality ; they state the conclusions, but take no responsibility for the justice or immutability of the premises. They *describe* the ‘ pudding ’ of material life, but they do not *prescribe* the ingredients. When the Frenchman exclaimed, ‘ The worst of economic laws is, they are so unjust,’ he was really saying that life itself is unkind and niggardly. The conclusions of the earlier

¹ Mackenzie's *Manual of Ethics*, p. 164.

economistswere too hastily generalized by themselves and others into immutable modes of action.

In Kingsley's *Alton Locke*, the tailor, Crossthwaite, says : ' But you can recollect as well as I can, when a deputation of us went up to a Member of Parliament—one that was reputed a philosopher, and a political economist, and a Liberal—and set before him the ever-increasing penury and misery of our trade and of those connected with it ; you recollect his answer—he could not alter the laws of nature—that wages were regulated by the amount of competition among the men themselves, and that it was no business of Government, or any one else, to interfere in contracts between the employer and employed, and those things regulated themselves by the laws of political economy, which it was madness and suicide to oppose.'

The misunderstanding as to the true nature of economic statements created by those who treated the economic conditions leading from the operations of certain ' laws ' as the laws themselves, or their only possible manifestations, led to a justifiable spiritual and mental revolt. This was partly the fault, partly the misfortune, of the economists. In one or two important instances they were hopelessly wrong, in a scientific sense, in their conclusions. The ' iron law of wages,' the wage fund theory, and the subsistence theory of taxation, were all erroneous in theory and in application. It only needed a few misapplications of some true conclusions to complete the bad record of the ' dismal science.'

The onslaught of Carlyle and Ruskin was partly justified by the absoluteness with which the analytical science had been translated into an inexorable practice and inevitable art, but it was partly misconceived. It attacked the right of the economist to make a reasoned examination and statement of what actually is, instead of an idealistic statement of what ought to be. It was not recognized sufficiently by them, nor by most social reformers, that, as an objective statement of a body of facts and tendencies, this branch

of inquiry has the same right of protection from criticism on ethical grounds as physics or chemistry, and that, just as the results of those sciences cannot be applied to practical life without inquiry as to what men want, what is good for them, what they can afford, and what is just, so a statement of economic principles is free from ethical connotation until one starts to apply it as a rule, or by it to justify a practice. I shall revert to the relation between ethics and economics again later, when we are in a position to appreciate the issues involved a little more.

9. A CLASSIFICATION OF ECONOMIC FACTORS

The separate factors, the resultant effects of which are summarized in economic principles, may be classified for our purpose as follows :

Natural :

- (1) Land—Its fertility—especially its relative fertility ; its relative response to special treatment—especially its *rate* of response :
Its position in relation to rivers, ports, seas, mountains, centres of population :
Its natural products by climate and position.
- (2) Seas—Productivity. Navigability. Accessibility from centres.
- (3) Climatic conditions.

Social :

- (1) Political and constitutional systems.
- (2) Codes of law.
- (3) Fixed customs and religious sanctions (caste, taboo).
- (4) Gregariousness—associations, unions, societies, opportunities for collective action. Desire for privacy.
- (5) Accumulations of Savings in the *past*, factories and plants.

Human :

- (1) Physical necessities and differences, hunger, fatigue, sex, relation to climate, tastes.
- (2) Family life, domestic affection, love of home or change.
- (3) Motives to work, to consume, to save ; motives of emulation, vanity, self-sacrifice, pity.
- (4) Ability to discover and organize.

This is neither exact, nor exhaustive, nor explicit, but it will serve my purpose. Nearly all economic principles involve immediately, or proximately, most of these factors, but in very different proportions. In some the natural almost predominate. But if you could, by a miracle, suddenly alter one of these factors, you would have to alter profoundly any law or principle which includes it. Thus, if land suddenly gave an increasing proportionate return with each unit or 'dose' of labour and capital involved, the law of economic rent would have to be altered. If you could get from any point to any other point in an instant of time, and with the same expense, or 'cost,' the law of rent would also have to be changed. The fact that one can communicate information in an instant of time for any distance has changed the economics of markets, and given a world price for wheat, cotton, and rubber. If you could make climate uniform over the whole world, the economics of foreign trade would be completely altered.

If you provide a social system which has no regard for, or law of, contract, all the wishing in the world could not produce an economic development equal to one that has. A change in gregarious habits will alter ground rents—possibly annihilate them. If men were progressively less liable to fatigue as they continued their work, all existing economic principles would stand on their head. If man's separate tastes did not become progressively satiated as they were supplied, the 'principle of diminishing utility' would have to go along with the 'law of satiable wants.' The absence or weakening of these two principles, combined with a cessation of the instinct to secure a particular desirable thing or satisfaction by the least onerous or costly method, would alter the whole theory of value based on the 'marginal principle,' and together would also alter the law of comparative costs—the mainspring of foreign trade.

Now, what economic consequences, for example, will follow the introduction of a quantity of gold into a country?

They will vary widely in the case of Fiji, India, and England. But the Christian ethic as a factor will make no difference whatever.

10. THE POSITION OF THE CHRISTIAN ETHIC AMONG THESE FACTORS

I cannot take you through the whole range of economic principles which sum up and explain the modern social and industrial system in this country and show you the prevalence or preponderance of these particular factors in each. I only wish to indicate to you that a large number of these factors are quite insusceptible or impervious to change under the influence of the Christian ethic. The whole of Group I. and Group II. (5) are quite unchangeable. Natural science may do something with parts of Group I., but theological science can do nothing. One of the most important II. (5), the capital heritage of savings and invested funds from the past, neither science nor religion can change.

But slowly, and over long periods, ethical considerations can change factors under II. (1) to (4).

11. ITS INFLUENCE IN LAW

A code of law is negative, and pays but secondary regard to motive. It pays primary regard to objective fact, and no regard to motive, in adultery and theft; it pays some regard to motive in the case of a man who meets his death by the hand of another. It fails to punish a sin such as gross selfishness and lack of charity, or overweening pride; it provides punishment for non-moral offences such as delay in applying for a licence, or walking on the grass. Only roughly does any code of law body forth ethical teaching, but it does so with some sureness and broadness. If the common content of the community's ideas can be raised,

its laws may be gradually improved from an ethical point of view, but every student knows to what a great extent laws follow what is socially inconvenient or noxious rather than what is morally indefensible. It is still uncertain which predominates as a motive in the passage of Prohibition in the United States. But one cannot make a people positively righteous by Act of Parliament, though one can diminish the scope for private and public unrighteousness.

We speak freely of actions being 'against the moral conscience,' but such matters as the discussion about raising the 'age of consent' show the subtle distinctions which social law will draw which are different in ethical significance. It is clear, however, that legal codes are susceptible to the influence of the Christian ethic, and they are, therefore, a most suitable object for reformers. All history is clear on this, though the Christian ethic has varied very considerably in its own positive content, especially in relation to usury, just price, and divorce. But no frontal attack is really of value without individual conviction and regeneration. The social rebound of Prohibition shows that even a large minority cannot be effectively coerced, and is the more likely to resist if the pretext is ethical instead of social and economic. Many a man who is a non-prohibitionist at heart would consent to the non-repeal of the Volstead Act if you could show him it is for social or economic advantage, but you will be far from convincing him that it is ethically harmful to drink wine.

The right use of the Christian factor as a basis for legislation, therefore, demands great judgement and discrimination. Each person must always remember that a strict line for oneself and a lenient one for others is a golden rule of compulsion. An historic study of the evolution of practical ethics in regard to usury, slavery, sex questions, &c., should make the most positive of us humble. In no case will the Christian precept be on the surface, indisputably applicable and clear. It will need spiritual interpretation

and translation into new conditions. The Christian ethic cannot be conclusively claimed as a critical factor in the settlement of constitutional systems, monarchical or republican, written or conventional, or with varying degree of democratic freedom and counter-check by knowledge, wisdom, or property rights. More depends upon the educational level of a people and their genius for self-government, for proper choice of leaders, and for insight into true principles. A democracy can go as sadly wrong in governing itself as ever it can be led by a dictator. Even if complete representative self-government can be deduced from the Christian ethic, no one but a lunatic would give it to a half-civilized people or a backward and vicious nation.

12. PERSONAL RESPONSIBILITY AND CORPORATE RESPONSIBILITY

Under No. II. (3), the socializing tendency of man, and the quite different and new qualities thrown up by the group, there is profound scope for the principles of Christ. Sometimes a group is made up of people each of whom would be prepared to act towards another more generously, or mercifully, so far as he himself is concerned, than he is prepared to compel or expect the group to do. A lady has her pocket picked, discovers the thief, and brings him to book; is filled with remorse that he may be sentenced to imprisonment, would fain let him off, cannot bear the thought of his suffering wife and children, and is only with difficulty persuaded to see that her duty to her group, the public, is to steel herself, bring the charge, and be the direct instrument of sentence and punishment.

On the other hand, an individual who might take the law into his own hands, the unwritten law of vengeance for certain wounding offences, is constrained by his group, which will not admit his measure of justice, and substitute their own. On the whole, the tendency of men to congregate

and associate often diverts responsibility for so-called 'collective' action, so that no one feels that he personally is bearing it. A limited company owning slums has no body to be kicked, no soul to be damned. This increasing economic tendency towards associated action, so fruitful in happiness and prosperity for the race, has brought a train of evils which, because of the highly-divided responsibility and impersonality of the offender, cannot be brought home to a single conscience.

Here the Christian ethic has a difficult, but highly essential, task. Many a group has been made up of estimable and worthy men, but its collective action has been below its individual level. The acts and ideals of every kind of association and group need to be closely and jealously watched by those who feel a sense of responsibility in them ; for the price of a high level of public morality, and especially of Christian excellence, is eternal vigilance. Those who act in the position of trustees especially feel that they have discharged their duty when they have been just ; they have no right to be generous or merciful in the absence of the instructions of those for whom they stand, for those qualities are felt to be essentially individual. A man who is generous with other people's property, or merciful for offences against his clients, may find himself in serious trouble. If a man asks for your client's cloak, you cannot give his coat also.

It is in the fast-developing field of collective action that the Christian ethic has scope for bridging the gulf between the individual whom *it has converted*, and who is already acting on the highest standards, and his group, which is only slowly getting the power to act as an entity beyond the dictates of bare business. The committee of a City club or ancient company can make a subscription to a Lord Mayor's charitable fund without cavil ; the big industrial companies do, in fact, do so ; and, if challenged in the courts, they could probably justify themselves on the ground that it would be bad for their corporate prestige if they did

not join in. But it is doubtful whether the board of a company working a tin mine in the East could give £5,000 to a hospital in Rome merely because the object stirred their pity.

Companies now, like individuals, can spend money freely in welfare work and institutions affecting their employees, mainly because it can be represented as 'good business,' and an extension of wages, but certainly *not* expressly because they are charitable objects. The shareholder can rightly say, 'The profits are mine, and I prefer to control the direction of my own charity or generosity.' There were no corporations for the Sermon on the Mount. The fiscal authority regards any sums which are equivalent to a definite reward to labour for work done, however indirectly expended, as a legitimate expense. But any sum which cannot be defended on the ground of its purely business return, i.e. any sum which has Christian virtue attached to it, is not admissible as a charge in arriving at profits. It is a distribution of profits, and as such belongs to the shareholder.

Fortunately, men often participate in nobler action through a group, led by its wisest, than they would individually rise to; but, in general, compulsory economic action as a rule for all groups cannot be much in advance of the 'modal' spirit of the group.

13. ITS INFLUENCE ON PHYSICAL FACTORS

When we come to deal with the human factors, we find again that some cannot be touched by the ethical factor, while others are fully open to its influence. On the physical side, the facts of hunger and fatigue, and need for shelter from climatic conditions, by suitable clothing and housing, are quite unchanged by a change of heart. The minimum conditions of man as a physical agent of economic production are virtually fixed. The way in which the appetite for food, clothing, and recreation are satisfied lend themselves

widely to moral control, but this is man on that side of his individuality as *consumer* of wealth, which would form the subject of a separate lecture. Within fair limits his behaviour as a consumer will affect his ability as a producer. Hence it is true to say that the ethical or moral factor dictating a wise and sensible outlay on food and drink and recreation has an economic quality. This is strict personal habit, the very seat and centre of ethical action and reaction. A wiser expenditure on family consumption in relation to the proportion of net income spent (in an economically inefficient direction) in alcoholic liquors in this country, if it could be brought about by voluntary individual conviction, would be worth at least five, and possibly ten, per cent. in net economic output. Gross wages would certainly be higher, and the net human welfare derived from wages (when the children are also considered) would be raised even more than that. Once again, as Mr. Lee puts it, Christian influence will be 'by inspiration rather than by domination.'¹

The question of sex relationship and sex purpose is obviously one where the ethical teaching may have powerful scope (the effects in Catholic countries being obvious). But abstract ethical views are to-day being profoundly modified by economic pressure. It is beyond my scope here to speak upon the ethics of birth control, but only to point out that there is no practical Christian ethic to-day which is accepted as such on all hands. In their report on the ethics of birth control, the Special Committee appointed by the National Council of Public Morals hoped to be able to contribute an 'interim ethic,' but say that to those who expect a final pronouncement, or absolute directions which will save them the trouble of thought, the results of the inquiry will be disappointing. They start off from the same Christian postulates, but several reach divergent conclusions of ethical principle in their reservations, and Bishop Gore and the Bishop of Guildford have widely different views. I will

¹ *Social Implications of Christianity.*

content myself with saying that, in my judgement, what is economically sensible and feasible becomes an integral part of what is ethical, and is not rival or antithetic to something which we have independently determined as ethical. For a thing must be measured, in one aspect of its value, not by its motive, but by what happens from it. For example, indiscriminate charity might seem to be ethical until we discover the bad effects of it upon the individual character and the social organism. Swedenborg said, 'Genuine charity is to act prudently that good may result.' Robertson of Brighton said, 'The springs of men's generosity are dried up by hearing of the repining and the envy and the discontent which have been sown by the general collection and the provision establishment among cottages where all was harmony before.'¹

Those who hold at one and the same time views about ethical or non-competitive determination of wages, about a standard of life determined by humanitarian considerations, and also about the unethical character of any kind of limitation of births, hold, probably without knowing it, a bundle of irreconcilabilities which will destroy the practical value of much of their teaching.

Before the Christian ethic closes its development on this subject, and presents a moral ultimatum or credo to the world, it must study the economic facts about population, which will be one of the vital distributive and racial factors of the next century. Otherwise, its prestige stands to be more damaged when its rigidity is shattered by the march of events than when a foolishly obstinate Fundamentalism met the onset of the developing facts of physical science.

I have no space to deal with the changes in the Christian ethic in its form and emphasis with the passage of time. The common assumption so tacitly made, that there is an accepted body of Christian ethics ready to be turned on to any problem, is not justified. Dr. Percy Gardner in his

¹ *Sermons*, p. 184.

Evolution in Christian Ethics says 'The ordinary view that English Christians are agreed as to practical morality, but differ as to creeds, is almost the reverse of the truth. . . . As regards personal morality and the ethics of the family and the nation, there must be an immense amount both of thought and experience before anything like a fresh equilibrium can be attained.' *Vide also Religion and the rise of Capitalism*, by R. H. Tawney.

14. FAMILY LIFE AS A FACTOR

In the second group of human economic facts relating to family life, economic disharmonies are daily becoming clearer. The position of married women as separate earners, and the possible necessity for inaugurating schemes of family endowment as a solution of a wage system payable on a sound economic basis, may introduce, not, indeed, changes in the family structure or ethical relationship, but changes in the economic effect of the family as the conventional unit in production. Put broadly, industry cannot be kept in constant being in equilibrium unless every agent receives at least the cost of production and maintenance, including depreciation and renewal. Regarding labour as a *continuous* flow of one agent, the provision of children to grow up and replace the worn-out units is an economic necessity, to be included in full current 'cost of production,' just as surely as a fund for replacement of other producing agents. This cost could be met in two parts, viz. a payment to the worker for his services, equal, at least, to his personal upkeep (his subsistence wage), and a separate payment into a fund, or otherwise, for the children's subsistence and education. This is the essential feature of family endowment schemes. But hitherto the community has tried to simplify the procedure by a single computation, making the second payment on an equated basis direct to the worker as the industrial trustee for the

children, on the rough basic, but incorrect, assumption that each man has equal responsibilities, and disregarding the existence of bachelors, and large and small families. If, from the total output of all agents of production, this fund were first set aside, the net marginal product which is the maximum economic reward of the worker would be, *pro tanto*, smaller. Economic modifications of the principle of wage payment, if they weaken or strengthen ties of family responsibility, may easily have important ethical aspects.

15. ITS INFLUENCE ON HUMAN INGENUITY AND DISCOVERY

Under III. (4), ability to discover and to organize, there are certain possibilities of the Christian ethic acting directly as a factor, which I shall examine shortly. In the main, however, the Christian factor must act as an incentive rather than as method. It reveals injustice, inequality, and inadequacy, making men less content with things as they are, and both reveals new fields for worthy human effort and gives the stimulus for self-denial and consecration of human powers without preponderating regard to direct personal reward.

Personally, I believe the Christian motives of pity and sympathy, and the destruction of complacency, are immense incentives to find a nobler way to discover relief for distress and disease, to organize for better housing and better working conditions, to seek out and touch the hidden springs of scientific and economic release and amelioration.

16. ITS INFLUENCE ON HUMAN MOTIVE

But it is when we come to the human motive that is brought into economic life that the ethical factor has its greatest possibility of influence. It is unnecessary for me to enlarge in great detail to show that if men worked with a will for the common service, and disregarded purely selfish

interests in anxiety as to whether they had struck an exact bargain for their labour, and if those directing them were desirous of rewarding generously, and not giving the lowest remuneration they could 'get away' with, a solvent would be introduced into social affairs which would change the spirit of industry. If all joined in the common enterprise with the common idea of *maximum combined service*, and could leave the division of results to mutual trust and confidence, they might not abrogate economic principles and alter the economic mechanism, but they would at least give it lubricated bearings.

I desire, then, to emphasize three aspects of the influence of ethics upon human motive :

First : The degree to which an economic principle can be modified depends upon the relative importance of the human motive factor amongst all the factors involved.

Second : An economic principle can be modified, in general, only to the extent to which the *average* standard of motive is changed ; mere individual change, however distinguished and great, is not enough.

Third : (a) The economic effect of this change may work partly by increasing the aggregate economic output, without altering the proportions in which it is shared, i.e. the 'distribution.'

(b) Or it may, to some slight extent, modify the division permanently.

(c) Or it may leave the distribution unchanged, but accompany it with a feeling of justice or inevitability, and not of distrust and suspicion, thus providing an addition to human welfare by bringing about greater content.

(d) Or it may prevent undue advantage accruing to one section in a key position, wittingly or not, at a time of economic transition or disturbance.

III

THE CHRISTIAN ETHIC AS MOTIVE

17. THE RELATIVE IMPORTANCE OF MOTIVE IN ECONOMIC PRINCIPLES—THE MONEY MEASURE

ALL economic principles cannot be changed by a variation in the ethical factor to a like extent. The extent depends upon the predominance of the factor of motive. The 'quantity principle' of money, with the resultant changes in price level, is, apart from wilful inflation or deflation by Governments and banking systems, quite independent of warm or cold hearts, sympathy, pity, or Christian sentiment. It is a dominating principle of our time, and lies at the root of trade depressions, unemployment, wage disputes, and industrial unrest. So delicate are our social adjustments now dependent upon reliable monetary measurement of real satisfactions, that I do not hesitate to say the greatest single evil of our time is the instability of the monetary unit as a measure of real values. It would be far easier to cope with fortuitous changes in the unit of weight, or even of length, although at first sight these would reduce industrial life to comic opera. For these measurements respond readily to objective tests, whereas changes of the relation in value between different commodities and one special commodity are insensibly assigned by the average mind to the many, and not to the one.

Those who are devoting themselves patiently, without hope of any reward but the discovery of truth, to elucidating the problem of the trade cycle and credit control, deserve

just as well of their fellow men as those who are conducting cancer research, or, even in some cases, who are Christian missionaries abroad amidst all discouragement. A very large part of the situations which so strain our social relations when they are deficient in Christian virtues would never arise at all but for the illusions, the apparent hardships that are unreal, and the real hardships that are not apparent, that come about when the monetary unit changes its power. Without the proper intellectual solutions, no ethical factors will in themselves suffice to avert these evils.

18. THE PRINCIPLE OF MARGINAL RETURN

Again, take the central statement of the 'marginal principle' that the real reward of any agent of production tends to be equal to its real output at the margin. Here you have a quantitative principle which can no more be changed by sentiment than the principle that two and two make four. For a time one factor—say capital—may be induced by self-preservation, or by generous instinct, to increase the reward of another factor, management or labour, beyond its 'marginal deserts' at its own expense, but it is doubtful if this can go on as a long-time phenomenon. There is, of course, attaching to many businesses, an economic surplus after each agent has received its marginal reward, and much may be said as to the equitable division of this fund where it exists, by bonuses, profit-sharing and the like, but the economic fact is that it cannot be made a factor in *general wages* or normal interest and average marginal costs. I will refer later to this point in its practical aspects.

19. THE STANDARD OF LIFE

Must we, then, be finally sceptical as to the power of the ethical factor to improve the standard of life, if it is a

physical equation, and if redistribution of the proceeds of industry is so meagre and disappointing in its results, and contains within it the seeds of its own destruction? By no means. There are at least three lines of action:

(1) I have already referred to the economic reactions which come in individual production from wiser and more efficient consumption, and how individual use of income may be affected by moral suasion; consumption purposefully directed may affect not only the individual producers' efficiency; it may also react upon production and its economic balance as a whole.¹

(2) Ethical impulses for abundant and unstinted service result in increased output, and this provides a new equation, produces automatically the funds for the higher reward. Moral guns, as well as commonsense guns, must be brought to bear upon the fortress of the 'Lump of Labour' theory and all its inhabiting brood of *ca' cannies*, restrictions, output-limiting and rate-cutting expedients.

(3) But the third line of action lifts the whole equation between service and reward on to a new plane of economic possibility. A low wage and a low output may often be correlated; the output is low because the physical and mental morale are low, and these are low because the standard of life is low, and the standard of life is low because output is low—a vicious circle, like poverty causing vice, and vice causing poverty. Minimum or sweated wage provisions have been partly designed to protect those in a weak strategic position in the economic organization from being consciously or unconsciously exploited or shouldered by the consumer or producer or both, and to secure that the worker shall really *get* the equivalent of the 'marginal production.' But they have been still more justified where the worker has already been getting all his work is worth, and where, by the industry having the confidence to subsidize him for a brief period, his capacity

¹ *Vide* Appendix I on 'Spending.'

has quickly reacted to the stimulus and produced the equivalent of the new reward.

The scope for this kind of stimulus is not unlimited or continuous. If the raised wage is not answered by improved output it is not in equilibrium, and cannot be sustained. Then we have to face the question as to how far it is right for a country to have any industries which cannot 'afford' (i.e. in which the worker cannot produce) a decent standard of life judged by comparative standards. If there are alternative industries and openings, well and good. But if not, no amount of sentiment or moral indignation can avail against economic facts. This problem is always hovering over us in agriculture; it is with us in certain coalfields to-day, and may face us elsewhere before long. There is nothing in ethics which can *compel* a given territory and organization to support a population of a particular size at a particular level of existence, though much current discussion seems tacitly to assume that if enough moral indignation is aroused the miracle can be worked.

It is progress of this order that may be secured by a judicious shortening of hours. I will not deal here with the ethical enrichment of life through the right use of greater leisure, but only refer to the possibility of economic production not being reduced at all, or reduced to a proportionate extent only, owing to greater natural efficiency during the shorter time.

But, fortunately, even moral indignation which is misplaced in its immediate facts may sometimes have ultimate justification, for, though it offers no practical suggestions, it may break up a set of economic conditions which have become a crust of apparent inevitability, either in undue hours or in a very low wage, by itself compelling the search for short cuts, machinery, and other devices to 'pay for' the change, in a way that mere acquiescence in the marginal reward being equal to marginal production could never have done. Although ethical standards may be the original

stimulus which shakes out a new physical equation, unless they achieve the object in this way they are powerless to patch up economic disequilibrium.

20. USELESS ASSUMPTIONS ON THE STANDARD OF LIFE

If we were prepared to say that we must have such a form of social structure as will give greatest scope for Christian virtues and principles, regardless of the economic result, sublimely indifferent whether the average man was worse or better, that would be an intelligible position and a logical one. 'The old communal village may be nearer the heart of God than the modern Babylon.'¹ The writer insists that the Christian is concerned with the social structure and cannot be indifferent to it. 'Under both Socialism and Individualism the spirit of Christianity may find itself thwarted; it may find men's passion for self grow beyond legitimate bounds under Individualism. Exterior change does not suffice.' The test of greatest spiritual scope, consistent with an economic product that is at least sufficient to keep men alive—for only a rank idealist wants organization so spiritual in principle that it fails to feed its people—such a test is consistent with Christian ethic. But, unfortunately, that is not the actual test which Christian teachers, preachers, and social reformers apply in practice. Their indictment of our economic society, however widely drawn, almost invariably centres in, or comes to a head in, a plea for the economic betterment of the average man. The implied and tacit assumption is that his economic position would be better if Christian principles prevailed to a greater extent in industry, and wealth were better distributed. All the economic advances and advantages which have accrued to him under the existing system are taken for granted as being obtainable also under a Christian ethical system, and the latter not

¹ Lee, *Social Implications of Christianity*.

only is supposed to produce them, but necessarily to add to them. This may, indeed, be so, but to assume it is a gross *non sequitur*. We must be at least prepared to face the issue that the economic organism would not, as a whole, be as productive in material goods, and that the actual average worker would not be as well off in material possessions if that organism worked upon lines more 'ethical' in Christian precept than it actually does.

I need hardly give examples of what I have said relative to the moral indictment being proved by complaints about economic conditions. A great point is first made of our progress in material things being far in advance of our growth in moral capacity. 'Morally, a community with few and simple goods and services available may in every way be a better and more civilized community.'¹ The fallacy of the idea that a mere multiplication of economic goods makes for human happiness or virtue is constantly being insisted upon. Yet, at the same time, the indictment of society on moral grounds is on the basis that such vast numbers have not enough of the economic goods—have, indeed, not their 'rights.'

A writer in a current journal² for June says, as hundreds of others have: 'Throughout the ages it has been God's will (1) That men should work: (2) That they should receive as a result of their work the *full requirements of life*.' I ask: What are the full requirements of life? Why should they be one thing here and quite another 500 miles away; or one thing a hundred years ago and another to-day? People talk as though such a standard could be objectively determined and then insisted upon. Its complete relativity to time and place reduces such an idea as the 'full requirements of life' to the same category of helpfulness as the assertion that a thing is 'as long as a piece of string' or 'as large as a nut.' I will refer a little

¹ Delisle Burns, *Industry and Civilization*, p. 211.

² *The Brotherhood Outlook*.

later to some facts illustrating relativity in time. What is regarded as beggarly subsistence to-day would, three generations ago, have been an impossibly high standard of living. What we should call an overcrowded slum to-day—*when we have learnt by better conditions to make the comparison*—would, a hundred years ago, have been regarded as quite normal and satisfactory.

But relativity in point of place stares hard at us to-day. What is the standard to which men have a 'right'—is it the American, or the British, or French, or Italian? All of them are conditioned mainly by economic forces, and certainly none of them will respond in any marked degree to wishing, or arguing, or ethical considerations. I well remember, when I was serving on the Dawes Committee on German Reparations, and we were considering the question of comparative national ability to bear burdens, with the necessary comparisons of total national incomes, the various nations agreed that the *minimum of subsistence* for each population should first be deducted, as it was only the balance of income that was capable of bearing a special burden. This minimum per head was, therefore, explored by the various representatives. The Americans were amazed at the figure suggested by the French and the Italians, and surprised even at the British; it seemed to them incredible. The Italians could not admit the British suggestion, and as for the American idea—when applied to Italy it blotted out the whole national income. 'Men and women have a right to food, housing, good wages, pensions, and many other things. Few would dispute the existence of these rights.'¹ The writer criticizes this assumption, quite legitimately, on the ground that the complementary duties and obligations are not recognized. I go much further, and criticize it on the ground that each community can share and use only what it has produced and what the stage of economic development it has reached

¹ R. Wilberforce Allen, *Methodism and Modern World Problems*, p. 46.

has allowed it to produce. Any talk of 'rights' beyond this, or of 'God's will' to give the 'full requirements,' seems to me mere sentimentalism. If there is an absolute right, why does it vary so between people? Is it not a corollary that it should be the same 'right' for all peoples, and that the British worker should forgo his advantages, and share and share alike with France, and Italy, or even the lower standards of the East?

But, although our average worker be better off than those in other countries and other ages, chronic discontent is always stirring us to the view that with some change of system things would be better. This is one of the main-springs to progress, but it is hardly a basis for an ethical condemnation of the system.

'Oh, but,' says the warm-hearted, 'things are so bad, there is so much poverty, the standard of life is so low, that any change, especially involving sacrifices by the rich, must be for the better. All we ask is that the good things that exist should be more equitably shared out, and we should be quite satisfied with the result on ethical grounds, for our moral indignation at poverty and low standards could no longer have any basis in fact.' On analysis you will find that the central feature of nearly every indictment on ethical grounds is the conception that redistribution of wealth—a correction of the appalling contrast between extreme riches and poverty side by side—would provide a world of conspicuously fuller and more satisfactory life for the masses. This view creeps in everywhere to such an extent that it seems impossible to believe that there can be any mistake about it. I suppose I have done my part in the statistical determinations of this problem, and shown the immense disparity and the unevenness of distribution. And I have never supported it as necessarily a good thing or a moral thing. But what I have protested, in and out of season, is that, however much you might correct it, and however just or moral the result

would be, it would utterly fail to give economic satisfaction, and is disappointing in the extreme, so far as providing an improved standard of life to the masses is concerned. In centring our teaching and our hopes upon the point of redistribution to produce greater well-being we are 'barking up the wrong tree,' and diverting attention from the more real and powerful remedies.

I agree with the Copec report when it says that 'gross inequality in distribution strikes the imagination . . . as shocking,'¹ but I do not know at what point it ceases to be gross or shocking. A statement (and I have made many such) that $\frac{1}{x}$ th part of the income is owned only by $\frac{1}{1000}$ th part of the population may be more shocking than the statement that $\frac{1}{x}$ th part is owned by only $\frac{1}{200}$ th part of the population. Changing from one to another may satisfy a sense of justice, but its economic effect on the many is pitifully small, and on the few might be far-reaching.

Let us now leave suggestion and supposition and come to a few facts.

21. FACTS ABOUT DISTRIBUTION AND REDISTRIBUTION AND THE PRESENT STANDARDS OF LIFE

(a) It is clear from the Census of Production that the production per head in this country before the war was a figure below what the majority of people regard as a proper standard of comfort. Sir Leo Chiozza Money said, 'The national income is not large enough, even if better distributed, to confer the conditions of a comfortable and cultured life upon the whole community.'² . . . 'If we set up the most modest scale of production as a standard of measurement we are driven to the conclusion that the nation is still poor, and that what material wealth it possesses is the thinnest of veneers.' After his analysis from quite a different angle, Professor Bowley concluded :

¹ *Industry and Property*, p. 25.

² *The Nation's Wealth*, p. 111 and p. 104.

This analysis has failed in part of its purpose if it has not shown that the problem of securing the wages, which people rather optimistically believe to be immediately and permanently possible is, to a great extent, independent of the question of national or individual ownership, unless it is seriously believed that production would increase greatly if the State were sole employer. The wealth of the country, however divided, was insufficient before the war for a general high standard ; there is nothing as yet to show that it will be greater in the future. Hence the most important task—more important immediately than the improvement of the division of the product—incumbent on employers and workmen alike, is to increase the national product, and that without sacrificing leisure and the amenities of life.

Dealing with the average income, he said :

Only 200 to 250 millions remain, which, on the extremist reckoning, can have been spent out of home-produced income by the rich or moderately well-off on anything of the nature of luxury. This sum would have little more than sufficed to bring the wages of adult men and women up to the minimum of 35s. 3d. weekly for a man and 20s. for a woman, which Mr. Rowntree, in *The Human Needs of Labour*, estimates as reasonable. In fact, the spendable wealth of the nation derived from home industry has been grossly exaggerated by loose reasoning. Before the war the home income would not have yielded more than £230 gross annually per family of five, or £170 net after all rates and taxes were paid and an adequate sum invested in home industries. The average family is not, however, five, as is frequently assumed, but about $4\frac{1}{2}$ persons ; the number of households is not 9,000,000, as just taken, but about 10,000,000 ; and the average net income of a family would have been £153 from home-product, or £162, if income from abroad is included. If this sum is compared with pre-war wages, it must be remembered that there are, on an average, nearly two earners to a family.¹

It must be remembered that since the war we have not attained the pre-war production per head, and at times have been far away from it. The amount capable of being shared out is, appreciably, less. It is probable that in 1925 we reached ninety-five per cent. of the aggregate

¹ *Division of the Product of Industry.*

pre-war production, whereas to get the same per head, allowing for increase in population, it must be at least 107 per cent.

(b) My own computations for post-war years of the effect of redistribution of spendable income have been given elsewhere.¹ I may sum them up as follows :

For 1919-20, if all individual income in excess of £250 per annum were put into a pool, and from the pool was first taken the taxation being borne by individuals (out of the income so pooled), and also the amount necessary to the community for savings on the pre-war scale, and the balance left in the pool were shared out to all as an addition to spendable income, the addition would not exceed 5s. per week to be added to each family for the first occasion, and probably less afterwards. 'Some of you may have read that the effect of spreading the Alps, with all their majestic mass and volume, over the whole of Europe, would be to affect the level of Europe by a few inches only. Similarly, the effect of spreading such a mass as the Himalayas over Asia would be to raise the plains very slightly.'

When one tries to account for the total sum spent on various forms of luxury, the above conclusions seem to be invalidated, but the statistical difficulty is largely met when it is realized that a hypothetical amount for savings is taken into the figures, and that there is certainly far less being saved than before the war, in comparable values per head. This, of course, will have a cramping effect on future expansion of production. (*Vide* Appendix II.)

I am not here in any way defending the existing inequality of wealth, and still less the display of wanton and provocative luxury on the part of a small fraction of the community. I am only endeavouring to show that the economic millenium does not lie along the line of redistribution and equalizing of the present total. The effect of this course is

¹ *Wealth and Taxable Capacity*, iii.

² In a lecture at Cambridge in 1925 I brought the computations more up to date, and a summary is given in Appendix III.

a percentage addition to the lower level—in truth, of course, we should have to take substantially away from incomes of £250 per annum in such a process—a percentage addition which compares unfavourably with the automatic additions that came in two or three decades of industrial peace and progress in the Victorian era; or that would come from a substantial measure of disarmament¹; or that, in the judgement of most American manufacturers, is the economic result of Prohibition; or that ordinarily results where piecework is substituted for time rates.

This is not a lecture on national wealth, and my only object in giving these details is to warn you that when you find your main plank in this ethical indictment of the industrial system is the fact that millions are living on too low a standard, and that this indicates a *moral* fault relating to maldistribution, and you proceed to imply that a correction of this distribution on moral grounds will correct the fault on which your indictment is based, then you have really made an indefensible assumption; for, even after your correction, the gravamen of your complaint would remain, and you would be left seeking for another moral or non-moral explanation. An admitted evil of unequal distribution is that it has given you a false idea of the problem, and you are the victim of an optical illusion. The problem of distribution is much more economic than ethical, and the attack is misconceived. If I had my way, before any one is allowed to go on a platform, and win applause by expounding our present discontents, attacking our system because by not following the Christian ethic we have no proper standard of life due to maldistribution of wealth, I would compel him, not only to spend three minutes with the supertax statistics, but also a week with a cold towel and the Census of Production reports.

Unequal distribution of wealth may be many of the bad

¹ *Vide my Current Problems in Government and Finance, iv.*

things we say about it, especially in its effect upon the character of the enviers, and still more upon the envied, though it has beneath the surface some strong counteracting advantages for the envier which he is not usually capable of assessing. But if the Christian ethic cannot do any better than alter static distribution, it is bankrupt so far as its real effect on economic betterment is concerned.

22. FACTS ABOUT CHANGES IN THE STANDARD

A corollary to the common popular indictment, which is given a moral flavour, is the view that things are very bad for the majority, and their economic standard has been achieved *pari passu* with the industrialization of life. Modern economic conditions, it is suggested, have become harder on the worker, as we have gradually lost the ethical elements in our capitalistic scheme. I record these two conclusions :

(a) The ordinary person of to-day is four times as well off in real commodities as the person in the corresponding stage in the scale in the beginning of the nineteenth century. The bulk of this advance was secured in the first part of the century. This has a somewhat important bearing, which I will not go into now, on the relativity of the whole idea of the standard of life ; the ' living wage ' is relative to the age in which one lives, and the general distribution of wealth, and it is obviously relative also country by country.

(b) Although there has been a great increase in *per capita* wealth, and the rich people are much richer, and there are more of them, the level of the masses has been raised in like proportion, and their numbers in like proportion. When you hold a magnifying lens over the distribution, all the parts remain substantially in the same relation to each other. (1) In other words, redistribution 120 years ago would probably have improved the level of the lower incomes by a similar small percentage (though a smaller actual amount) compared with to-day. Students of contemporary literature will have no difficulty in realizing that what we regard as a low standard of life would then have been regarded as affluence.¹

¹ *Wealth and Taxable Capacity*, p. 95.

23. THE IDEAS OF A STANDARD ARE RELATIVE AND SUBJECTIVE

People usually approach the subject of the standard which they would regard as decent, or fair and reasonable, or even moral, by the process of 'thinking of a number'—that is, by an empirical subjective judgement. Some get at it statistically by budgeting a fair consumption and pricing it; others work out calories and physiological requirements. My experience of twenty-five years on this subject is that these paths all lead to a national aggregate which is in excess of the statistically possible (i.e. the national production) by amounts not less than twenty-five per cent., and sometimes even one hundred per cent. For only rarely does any one, engaged in the fascinating task of expounding how big the *slice* of cake ought to be in order to satisfy their physiological, or decent, or moral criteria, trouble to measure the cake and count the family.

A useful object-lesson occurred recently in Australia, the home of regulation and legislation on the fair wage, the living wage, the basic wage, &c. Even in 1891 the Premier of Queensland talked of a 'national and proper measure of wages' which 'could never be taken as a less sum than such as is sufficient to maintain the labourer and his family in a fair state of health and reasonable comfort.' After many such excursions a Royal Commission in 1921 was appointed to fix a fair and reasonable basis standard, and state the wage required to meet the cost of it. They heard 800 witnesses, with evidence on budgets and calories *in extenso*. Their findings came as a bombshell, ranging from £5 6s. 2d. per week in Brisbane to £5 17s. 0d. in Sydney per average family (equivalent to £3 13s. 11d. in 1914). Additions, of course, would have, in practice, to be made for all grades of labour above the lowest. These figures were far above any given by a previous tribunal, and higher than skilled workers were getting. The whole trade union movement received the

report 'with great glee.' Employers and the Government 'stood aghast.' The Commonwealth Statistician was asked what would be the result of applying this standard in practice, and he promptly reported that the whole national income of Australia, throwing in profits, interests, and rents, was inadequate to pay it, even if equally divided.¹

24. THE POSITION OF THE ETHICAL FACTOR

If you frankly emphasize the ethical factor throughout and abide by the economic consequences of adopting it in advance of the readiness of the average man, then your position is tenable. But you postulate as a *sine qua non* that economic as well as ethical conditions must be better than they are now to satisfy your moral sense. This being so, you have only one way out of your impasse—you must prove that a world conducted entirely on ethical lines and motives will have a higher economic product than one conducted on economic motives. In other words, your ethical factors must definitely increase output and productive goods.

That along many lines this is possible, and abundantly possible, I have no shadow of doubt. But I know that the discernment of the proper point at which to influence and change economic tendencies by the motive factor is a matter of fine discrimination, and very close and hard work. 'But this cautious attitude does not imply acquiescence in the present inequalities of wealth. The drift of economic science during many generations has been with increasing force towards the belief that there is no real necessity, and therefore no moral justification, for extreme poverty side by side with great wealth. The inequalities of wealth, though less than they are often represented to be, are a serious flaw in our economic organization. Any diminution of them which can be obtained by means that would not sap the

¹ *Vide Economic Journal*, September, 1921, for fuller details.

springs of free initiative and strength of character, and would not, therefore, materially check the growth of the national dividend, would seem to be a clear social gain. Though arithmetic warns us that it is impossible to raise all earnings beyond the level already reached by specially well-to-do artisan families, it is certainly desirable that those who are below that level should be raised, even at the expense of lowering in some degree those who are above it.¹

When I read, in the latest work on this subject,² 'if a thing is morally wrong it can never be economically right,' I feel the epigram, but I cannot find the meaning. If it means that where there are several economic possibilities, one will be juster or more Christian than the others, and it cannot be morally right to rest content with anything less, then I understand it. But I would say whatever is economically right (i.e., inevitable) cannot be morally wrong. For where there is no choice or avoidance there is no moral issue. The less the human factor in the economic principle or situation, the less can it be morally wrong. You may say that the universe is not kind if you wish. But it is not merely natural limitation that may be fixed—it is also arithmetic that is non-moral, and an astonishing amount of economics is contained in the sentiment, 'You cannot get more than a pint out of a pint pot, nor more than you have put into it.'

25. THE GENERAL RELATION OF ECONOMICS TO ETHICS

This consideration leads me, before leaving this section on motive, to devote a few words to the scope and content of Economics in relation to Ethics, for the sake of those to whom this question may be quite nebulous. I need not give much time to it because it can be fully studied in the opening chapters of great treatises such as those by Professors Marshall and Pigou. For the same reason I shall not deal

¹ Marshall's *Principles*, p. 714.

² R. Wilberforce Allen, *op. cit.* p. 44.

with the relation between economic welfare and total welfare. Economics isolates for separate study certain features of man's life ; his pursuit of wealth or of a livelihood, under the stimulus of motives measured mainly by a monetary scale. To many the idea that such a separation should be attempted, and the ethical aspects laid on one side even for a moment, is most abhorrent. To them it is essentially unreal, selfish, and sordid. But Economics does not pretend any more than any other science, to tell the whole story of man's action. As Marshall says : ' Though it is true that money or general purchasing power or command over material wealth is the centre round which Economic Science clusters, this is so, not because money or material wealth is regarded as the main aim of human effort, nor even as affording the main subject matter for the study of the Economist, but because in this world of ours it is the one convenient means of measuring human motive on a large scale. If the older economists had made this clear they would have escaped many grievous misrepresentations, and the splendid teachings of Carlyle and Ruskin, as to the right aims of human endeavour and the right uses of wealth, would not then have been marred by bitter attacks on economics, based on the mistaken belief that that science had no concern with any motive except the selfish desire for wealth, or even that it inculcated a policy of sordid selfishness.'

When the motive is ' spoken of as supplied by the money a man will earn, it is not meant that his mind is closed to all other considerations save those of gain.'

' A motive is supplied by a definite amount of money required or offered. It is this definite and exact money measurement of the steadiest motives in business life which has enabled economics far to outrun every other branch of the study of man.'¹

It is indeed not strange that the idea of an essentially

¹ Marshall's *Principles*, p. 14.

ethical treatment of political economy should have a strong fascination for earnest minds. Nor is it strange that as our social sympathies grow broader and stronger, the action of stopping short at the purely positive inquiry should be viewed with an increasing degree of impatience. But in all this the point really at issue is obscured. No one desires to stop short at the purely theoretical inquiry. It is universally agreed that in economics the positive investigation of facts is not an end in itself, but is to be used as the basis of a practical inquiry in which ethical considerations are allowed their due weight. The question is not whether the positive inquiry shall complete as well as form the foundation of all economic discussion, but whether it shall be systematically combined with ethical and practical inquiries, or pursued in the first instance independently. The latter alternative is to be preferred on grounds of scientific expediency. Our work will be done more thoroughly, and both our theoretical and our practical conclusions will be the more trustworthy if we are content to do one thing at a time.

For example, fusing all considerations together prevents us from getting a clear and unbiased answer to separate questions. Our investigation of the laws determining or underlying the nature of competitive wages cannot but be seriously hampered if the very same discussion is to serve for a solution of the problem whether wages so determined are 'fair' wages with an ethical or moral background. In the same way such a combination will further establish popular confusion as to the nature of many economic truths. For generalizations of science are frequently interpreted as if they were to be maxims for practical guidance and rules of individual or social conduct. If we desire to get to the bottom of any question, agreement as to the *facts* may be got more quietly and with freedom from prejudice than agreement as to what ought to be. If economics as a science is to make good progress, it is essential that all controversy on outside issues should be eliminated.

The intrusion of ethics at too early a stage cannot but multiply and perpetuate sources of disagreement.

It is both possible and necessary to study economic uniformities without passing ethical judgement or formulating economic precepts.

Comte's great word remains worthy of pondering: 'It is for the heart to suggest our problems, and it is for the intellect to solve them. . . . The only position for which the intellect is primarily adapted is to be the servant of the social sympathies.'

IV

THE CHRISTIAN ETHIC AS A SCHEME

26. GENERALIZATION FROM PARTICULAR CONDUCT

THOSE who think only of model industrial systems actually framed on abstract Christian principles, make no study of the material and physical limitations, and assume all participants to be endowed with the requisite measure of spiritual and ethical force. One might as well mistake the oil, without which no machinery can function, for the machinery itself. Perhaps a better figure would be that while no machine can function efficiently unless a proper design is made for it in the first place, no design is in itself a machine, nor can the design be of any use if it disregards the quality and character of the material to be used ; ignores such non-intellectual qualities as the co-efficients of torsion and bending and all its other physical factors ; or if the designer is regardless whether human ingenuity has devised foundries large enough, measurements fine enough, capital and human patience abundant enough, to allow of it to be made.

Christian enthusiasts, desiring to remodel economic society, and offering prescriptions for it, need to devote a little less effort to the elaboration of Christian principles, and a little more to the patient analysis and study, not of superficial social appearances and formations, but of underlying economic principles. Only thus will they keep within the limits of the sensible and possible, and spend their energies to advantage. It is not enough to see 'injustices' or inequalities, and to imagine that an overmastering spiritual enthusiasm will bear them all down. I am prosaic

enough to believe that God does more for men with human effort and still more with human intelligence. Faith is more likely to move mountains if a whole multitude are also shoving, and shoving along the lines of geological least resistance ; still more likely if all the cranes and all the apparatus of civil engineering are available. It is nearly a certainty if your civil engineer in charge is lonely study is sustained and enlightened by every intuition that faith can convey.

Everyone can introduce Christian ethics into his personal relations with others, but it is another thing to prescribe a system by which others must live, which shall 'work' society. If you take a Palestinian precept *simpliciter*, you, personally, can elect to walk an extra mile without calling for economic reward ; you can elect to sacrifice spending—save and provide capital for others for *less* than the return that present economic principles would demand or yield. You can decide to borrow capital and give *more* than the return required by economic forces. But you cannot frame on these principles a system on which others can be forced to act, or which will not be brought to the ground by a minority who are not ready to carry it out on these principles. Moreover, I doubt if a rational economic system yielding to a large population a reasonable standard of life could be framed on these principles even if all agreed to come in voluntarily. So long as the extent or degree to which the deviations by generous Christian instincts from the economic normal differed in different individuals, you would have an element of the incalculable which would bring down all large-scale enterprise. By large-scale enterprises I mean those involving materials and work from all parts of the earth, the producers of which are to be rewarded out of the final product ; involving large aggregations of individual quotas of capital, saved from various motives ; and involving above all a co-ordinating, directing and managing responsibility which shall give all these inert

things corporate and vital being. I think you might manage to agree voluntarily upon a non-economic but ethical scheme with more measure of success in small-scale village industry with well-organized direct relationships of not more than two removed between purchaser and consumer, between discover and discovered. But such a scheme of society must hopelessly fail to provide a decent standard of life in these islands for 45 millions of people, and I doubt if more than a half could actually remain alive.

27. A SOCIETY FRAMED ON THE EXTRA MILE PRINCIPLE

Let us suppose that the degree of divergence from the equation between individual economic cost and economic reward is not left to individual judgement or spirit, in order to avoid the difficulties I refer to above, but is prescribed by general understanding so as to introduce some element of the calculable into human affairs. Let it be agreed that whereas five per cent. would be economically necessary to induce people to refrain from consuming and induce them to save and contribute to industry, they should actually be Christian enough to do it for four per cent. Let it be agreed that everyone dealing capital should be generous enough not to screw lenders down to the five per cent. that they could secure it for on lines of degrading economic competition, but should offer six per cent. Let it be supposed that every worker instead of looking at the clock at five should think only of others and work till six. Let it be supposed that every employer, instead of expediting work until five o'clock as economic conditions would demand, agreed to let them go at four o'clock, or, instead of paying the economic wages for which he could secure a worker, gave by common consent ten per cent. more. Then, even if such arrangements did not introduce chaos, Bedlam and Laputa into the conduct of industry, the very fact that the divergence from

the economic *was prescribed*, might rob it of its voluntary nature, and its essentially Christian spontaneous spirituality. For it is only what is generous and of the heart that has spiritual value, and it might soon be claimed that scriptural injunction could then only be really met by exceeding the prescribed quota—a never-ending succession.

Under modern conditions there may be some play between the division of the product of industry as between the employer and employed (or, since they are both really employed, by a purchaser of the joint product, I prefer to say director and directed), let us say the sheep farmer and his worker in New Zealand. But it is relatively small. Out of a price, at that spot of $10x$, there may be a contest as to whether $6x$ or $7x$ should go to the one. But the range is limited at this point. The same kind of contest may go on between shipowner, sailor, and captain. The same limited range of discussion may take place between the distributor, his carman, and shop-hand before the meat can be marked up for you to purchase at $25x$. But if the results of those several contests are that no directors and no directed will remain in their occupations without the several rewards which come to $27x$ in the aggregate, and your meat is marked $27x$ in the shop, the $25x$ meat from elsewhere, say the Argentine, attracts your attention. It is not enough for you that mutton is cheaper than it used to be—you make your comparison here and now, and decide you will get more satisfaction for your money by buying Argentine beef or Australian rabbits, or Chicago pork. You, feeble and inconstant, harsh and unchristian purchaser, refuse to give all these people from New Zealand, prepared to serve you, a living wage, and you put them out of business.

In the same way, all your work and worth here in a cotton factory goes for nothing if you do not produce what will attract the fancy and purse of an unknown Chinese purchaser who in you is seeking to be your potential employer in the act of sale.

28. FREE DEMAND A CRUCIAL ELEMENT IN DETERMINING THE FORM OF THE SOCIAL SCHEME

The central fact of modern life, from which all else flows, is the freedom of every worker to select as his reward in exchange for his contribution to the common stock whatever he likes from a wide range of alternative choices. When you spend a hard-earned pound you have an infinite variety of employees working for you. You may buy clothes, or food, or holidays, or cinemas, or furniture, or, by not using it at once, you may buy, with a similar range of choice, sixpennyworth every year for your life. This freedom of choice is critical in determining the form of society that is set up to meet it, so critical that you have almost to decide at this point whether it is Christian or non-Christian in its nature. It is possible to assume a Socialistic society in which the products to be manufactured (and this must include those in foreign trade) are definitely prescribed, and every one put to his work. Then every one's reward must be prescribed and not be the result of competitive forces and its *real* value conferred by a detailed system of distribution (although there need not be identity of real wages, and every kind of unevenness in distribution of reward could exist). The products would be assigned to each person on a fixed plan to fit the production. Your year's income would consist, *inter alia*, of 100 loaves, 30 lbs. of butter, a four-roomed house, a suit of clothes, two pairs of boots, a 100-mile railway journey, 100 lbs. of vegetables, 6 cinemas, 3 concerts and 52 Sunday services and sermons. For services of all kinds, as well as material productions, would need to be prescribed since the provider of services needs physical products in return.

On a general vote that fewer boots and cinemas and more gramophones were desired, the direction and scope of production could be modified to meet the changed demand. But there would be no scope for individual fancy. All this

sounds absurd, but it is the very logical alternative to freedom of choice. Freedom of choice in spending is not only the mainspring of developed economic life, it lies at the heart of the economic theory or principle of value. It is the reason why the Marxian theory of labour values is wrong, and why all that is based on that theory is impracticable. This is no place for me to expound the theory of value in which the human effort required for producing, and the 'attractiveness' or desirability of the thing produced are delicately but firmly balanced against each other. Those of you who can absorb only so much economics as can be enjammed in humour may prefer, to any effort of mine Mr. Dooley, somewhat in this vein: 'Ye say 'tis valuable for ye spent yer days and nights making it for me; but th' value of anything is how much I'll be wanting it.'

It may be rejoined that the average worker has very little choice how he will spend his money; so much must, willy-nilly, go in rent, in food, in clothing, &c. True; and the least choice exists in the case of rent. But expenditure in food can, and does, vary widely, in these days much more than it did a hundred years ago, when the products of all the globe were not displayed on the counters in attractive bottles and tins, when meat and wheat were home produced. Money spent on clothes in the poorest home can and does set in motion forces over all the world.

The fact that modern life is based upon the exchange of products by people who cannot possibly know each other, and cannot be parties to a scheme of mutual voluntary moderation of the hard corners of economic fact, is far-reaching in the limitation it puts upon workable constructive changes in the social organism. It is more far-reaching than any question of large scale organization as an obstacle to personal economic relations or rewards. I feel, therefore, that Mr. John Lee misses the true test when he says:

We need a realization of that aspect of Christian practice which touches upon the basic facts of human relationship. It will not

serve to say that human relationships have become too complex for such a spiritual basis to be of actual value, that industries have become so large as to make intimate relationship between employer and employed an impossibility, that the joint stock system has shrouded the owner in an impenetrable mist. To contend thus is to admit that Christianity has failed, that the world, very literally, has outgrown it.

29. MUST ETHICAL PRINCIPLE HOLD BACK ECONOMIC PROGRESS?

In the sense that a literal precept is no longer applicable there is much truth. But there is nowhere any suggestion that we have to keep back the clock of science, of progress and of civilization, in order that a precept may always remain literally up-to-date, for if Christ came to-day He would give us, I believe, injunctions in new terms, but no less far-reaching and penetrating than those of Palestine. I believe indeed, that we can sacrifice far too much for a mere improvement in physical well-being which, as history shows, does not necessarily make us more contented or happy, and certainly not more moral or Christian. Mr. Lee is quite right in wanting to scrutinize every development anxiously that raises our standard five per cent. but detracts from that 'full and ample play to the monitions which come from the Christian spirit of fellowship.' It is possible, in a very real sense, for society to gain the whole world and lose its own soul. That is why all the fine welfare ameliorations which have smoothed the rough edges of the factory system in the past twenty years are definitely Christian. They are far better for Christian development—even though the managing director, still less the shareholder, does not personally know his workmen—than the old paternal system in which bad lighting, ventilation, and working conditions were ill compensated by the fact that the master knew every workman by name, inquired about the children and their measles with a sense of personal difference at

least as great as to-day, marked by a patronage now unknown. But room still exists for sympathetic human interest between master and man wherever they come in contact.

I believe, too, that we have a personal responsibility in the way we spend our money for aiming, within our powers, at the encouragement of production under the best conditions and discouraging production under the worst. (*Vide* Appendix I.)

While the direction of a business can only be in a few hands if it is to function properly, I think at the same time that every extent to which those directed can have a voice in their own working conditions, and be interested in the efficiency and success of their own efforts, either by payment on results, or profit-sharing, is so much nearer a scheme in which Christian principles may have part. The American worker has a higher standard of life than the British. Why? Not because the business owner concedes him a higher percentage of the product as his reward—far from it. It is, of course, partly because in a rich and developing country the response of Nature to each unit of human effort is higher, but it is also because he works harder and is more efficient; the 'total heap of production' is greater and there is more to share.

I am not aware that the Christian ethic has penetrated more in America into the settlement of the ratio of division between directors and directed. It is just 'good business,' and is the pure effect of economic causes. If plenty is not produced plenty cannot be consumed, whatever the religion, or no religion, existing. But in so far as the American worker is prompted by ethical motive to give good measure and unstinted service, he is in a position to reap the material benefit of it to a greater extent than he could be in this country with limitation of output on the part of his comrades, or rate-cutting in piece-work reward by his employer. In so far as he is more efficient, and I am assured on all

hands he is a more regular and consistent worker through Prohibition, and in so far as Prohibition is the result of the Christian ethic in the Main Street Chapel, the Christian ethic is a powerful force for economic welfare. In so far as a great many people are forced by law to adopt the principles of a Christian ethic against their will, certain disadvantages must be held to counterweigh.

30. ARE MODERN BUSINESS FORMS NECESSARILY LESS ETHICAL?

I have already referred to the questions of paternalism, and close relationship of consumer with producer. The alleged evils of large-scale organization found a curious anticipatory rebuttal in Comte :

For it is only the larger employers that the spiritual power can hope to penetrate with a strong and habitual sense of duty to their subordinates. Without a sufficient concentration of material power, the means of satisfying the claims of morality would be found wanting, except at such exorbitant sacrifices as would be incompatible with all industrial progress.¹

Moreover, it is clear that large businesses do not pay the lowest wages, or afford the poorest economic conditions. It is not without significance, too, that specially good conditions often exist where the owner is himself growing abundantly rich at the same time. Inequality of wealth here is consistent with highest conditions for the masses. Do not wage conditions often tend to lag behind where the ownership is communal or widely spread amongst small owners—the ideal of equal distribution? Such trends have no final significance, but they at least give pause to ready theories of industrial prosperity.

31. ETHICAL PROGRAMMES IN PROFIT SHARING

In practice, we find it hard to produce ethical programmes for industrial problems on which all are agreed. That is,

¹ *Positivism* chap. iii.

Christians are by no means agreed upon the theoretical application of their own ethical principles, without regard to their actual practicability. In addition to examples I have given already, take the following urgent problem.

At first sight one would have thought nothing could be clearer than that to interest the worker in the results of industry, as directly as possible, was ethically as well as economically sound. But even so thoroughgoing a writer as Mr. John Lee leaves us in considerable doubt. 'The Christian Employer still looks rather towards time wages than towards piece wages as meeting the demands of his conscience'—this mainly because 'there is less likelihood of fellowship in industry, or of status, or of social advance, or of corporate feeling with piece wages than there is with time wages.'

The family conception of an industrial organization is fulfilled, he says, by time wages more readily than by piece wages. But every worker for sale is, of necessity, a piece-worker. If a school not large enough to employ a whole-time cobbler goes to, or literally *employs*, the local shop-man, he is a piece-worker. If it is large enough, it seems to be more ethical to employ one at time rates! Frankly, I can understand the economic arguments and political or tactical arguments for and against piece rates, but this moral distinction leaves me sceptical.

He goes on to deal with 'bonuses for output,' and finds that the Christian employer views them 'with uncertainty.' There is an unethical penalizing of that inefficiency which comes from lack of endowment. He concludes 'that Christian sentiment views piece wages and bonuses, and similar devices, with some concern.' Profit-sharing, he thinks, does 'tone down a little the somewhat disturbing antithesis between the capitalist and the worker. Nevertheless, the Christian ethic finds elements in profit-sharing which are disquieting.' Apparently this is because the very existence of profits is an indication that something

that ought already to have been paid away in wages has been withheld, and to give a mere share of what already belongs to the worker is 'sharp business' the Christian must view with suspicion. Mr. Lee doubtless has related the economics of profits either as differential or residual, or as a compound of different types of essential returns for different elements in the agents of production grouped under capital, to his marginal efficiency principle of wages, but he seems to have lost touch with his synthesis in this discussion of the ethics of profit. Again, he is dissatisfied with the effect of holding the worker more securely interested in the business, for there is a 'Christian value in free mobility of labour. Co-partnership is of doubtful moral value.' He agrees, however, that as a rule it is 'the employers who have the highest ideals who have usually adopted something of the nature of profit-sharing.'

I am not attempting to go into the rights and wrongs of these questions. They would fittingly form the subject of one of these Annual Lectures. I am merely illustrating my point that the direct application of ethical principles to economic affairs is not the simply obvious thing that at first it seems when it can lead a writer of great attainments and noble purpose to positions like these.¹

Mr. Lee wants to substitute for the 'long tradition of supply and demand as the governing factor of wages,' which dies so hard, an 'estimable value' on a moral plane. He does not say whether or not he believes in marginal efficiency as the maximum determinant or not, but presumably he would get away from it because he desires 'authoritative valuation of services with the moral sense' of the community behind the valuation. He says 'if wages could be as authoritatively assessed as the damages due from a co-respondent, we should have made real progress in the incorporation of the Christian principle with industry.' In the first place an assessment of moral damage in terms

¹ *Social Implications of Christianity*, p. 85., *et seq.*

of material compensation is, in itself, an artificial attempt at an equation upon two planes which never meet. In the second, it is authoritative only in the sense that it is dictated and final, not that it is rooted in an authoritative principle which determines it equally in all courts. Thirdly, it has no check or limit of hard economic facts, save the total means of the co-respondent. But in wage determination both sides of the question are on one plane—that of material production given and material production consumed. The moral aspect is that we should secure that the equation, if it cannot be altered, shall, at any rate, not be ‘cooked.’

So long as the separate individuals of the community have freedom of buying-power or consumption choice, and can elect not to have a thing produced by another if they don’t want it, so long Mr. Lee’s economic conception of ‘valued’ wages is hopelessly unpractical and unscientific. It would simply break down in a week.

32. THE ETHICS OF LAISSEZ-FAIRE

It was honestly thought at one time that the universe was so ordered that the man who best pursued his own interest was best advancing the interests of all. Even within the last forty years we find this sentiment :

‘In the free exchange of the products of labour it ceased to be true that one man’s interest was opposed to another’s. This fact has not yet become universally recognized, so long have men persisted in interpreting the conditions of industrial life in accordance with immemorial traditions.’¹

But the inequalities of natural fortune territorially are themselves enough to make large advantages accrue to some, and the equilibrium of economic forces with a common world-price may give real advantage to one at the expense of the other—or an economic rent. Again, since forces are in constant flux, some are taking the bumps or jolts

¹ Fiske, *Destiny of Man*, p. 82.

of economic fortune. That vast and intricate machine which has such productivity for us all when it is functioning smoothly must have, as its essential condition, a constant capacity to adapt itself. Those people at the points of adaptation are the victims of the change, and bear the brunt of it. It is due to the grand growth of the ethical principle that society protects and restores those injured by the 'fell clutch of circumstance' in its own advancement. Where 'protection' begins and ends as an ethical matter would be a very difficult question to answer. It is enough for the moment if we can give the economic answer.

Whether a given tariff situation is 'ethical' hardly arises until we have decided whether or not it rests on an economic fallacy, whether the advantages it affords to some are at the expense of others. Trade union policy is largely the logical result of the unwisdom and limited outlook of the pioneers of Capitalism, in a period the history of which it is impossible to read with any pride or satisfaction.

It may be said that attitudes have changed, and that the policies based on previous attitudes may safely be modified. That, indeed, may be so, but it is only too true that a change of motive and outlook can get but slow reciprocation—the pains and penalties of a previous course of life last long after repentance. Again, many elements of such policy may be non-ethical, but uneconomic and misguided, especially where a rule, originally legitimate or sound economically, is pursued without discrimination into the region of self-deception and delusion. I pick up at random a comment by a very unbiased critic¹ which will serve to illustrate my meaning :

Now let me, being an honest woman, speak straight out about this question of Australia. It is to me the most beloved country in the world, and for that reason I cannot bear to see Australia day by day thwarting its own development and throttling its very existence. Think for a moment of this country. It is

¹ *Melodies and Memories*, by Nellie Melba, p. 316.

larger than the United States, it has boundless natural wealth, infinite resources, and yet it has a population less than that of the single city of London. Parts of the northern territory, which are as big as France and Germany put together, have a population of only 1,100, and even that population is slowly decreasing. The distribution of the population is even more deplorable than the scarcity of it. For of the six million which compose Australia's inhabitants, over one million are in Sydney, another million are in Melbourne, and three other cities hold between them a further million. That leaves some three million scattered over an area which, I repeat, is bigger than the United States. What is the reason of it? I do not wish to maintain for one instant that the reason is entirely Australia's fault. Australia is a young country which has not had time to develop, and which has been constantly handicapped by the fact that it is so far away from the mother country. But I do not think that any thinking men will deny that there have been many occasions when my fellow countrymen have been given the opportunity of developing themselves, and when they have thrust it aside. As long as we have the Labour Party in Australia, so long will there be an actual prejudice against immigration, on the ground that if the country is flooded with immigrants those who are already there in possession will find the struggle for life increasingly hard. There seems to be firmly rooted in a certain type of Australian mentality the idea that development means unemployment—surely one of the strangest paradoxes that has ever dwelt even in a Labour Member's mind. It is this shortsightedness which makes a city like Melbourne the dull city which it is to-day. A city where you begin the day by being told in your hotel that on account of trade union regulations you cannot be certain of breakfast before eight o'clock, and in which you end it in some uninspiring restaurant which is struggling hard to hold up its head against quantities of restrictions. One of the last things I read in an Australian paper before returning home was that if a certain American jazz band was allowed to land, all the jazz bands in the continent would go on strike. The jazz band did not land, and as a result the dancers of Australia are still dancing to the tunes which have long ago been mercifully forgotten in the countries of Europe.

It is not liberty alone that demands as its price eternal vigilance. Working and effective institutions and policies demand it too. As Lowell says :

New times demand new measures and new men.

The world advances, and in time outgrows

The laws that in our father's day were best,

And doubtless after us some purer scheme

Will be shaped out by wiser men than we,

Made wiser by the steady growth of truth.

The work of amelioration is never done. Each age will have its new reconciliation and restatement even of the ancient principle.

33. THE ETHICAL DOES NOT DETERMINE A PARTICULAR SCHEME—IT MAKES MANY SCHEMES WORK

The postulates of Socialism are not *necessarily* more ethical than those of other forms of society. They may presuppose a system which would give greater scope for moral motives while providing a lower average standard of life. As a rule, they presuppose advantages under both heads. State Socialism would not *necessarily* engender the highest moral principles, or demand them. One can conceive a successful scheme, granted the presence of two factors now completely absent—first, adequate administrative power to control foreign trade, as well as home production, on civil service principles ; and, second, acquiescence in the destruction or severe limitation of free individual demand. This might work in practice, even if every one concerned were watched, police-wise, and if no higher level of trust existed than to-day. But if these two common economic or administrative factors were absent, the degree of development of moral qualities necessary to make a

workable scheme of Socialism is greatly increased, requiring an advance in unselfishness, self-effacement, mutual trust, and forbearance in the average man of a most striking character, and now only seen in rare individuals, would be essential. A piecemeal advance in common ownership of those services most suited to government under a collective form is not excluded. But the canon of judgement as to where progressive experiment may be made is practical, economic, and seldom ethical.

I have said enough to indicate my general agreement with the view that in only rare instances is a scheme so predominantly ethical that it can safely be promulgated without close study on economic lines. I believe that if Christianity had committed itself to any particular type of organized institution it would have been superseded again and again. While the number of movements in which exponents of religious belief are associating themselves with practical problems is all to the good, and, indeed, most encouraging, this does not give any warrant for cut-and-dried solutions from the pulpit.¹ The fabric of everyday life cannot be woven out of ethics alone. Moral motive and purpose, and economic conditions, are the warp and the woof of that fabric. No economic problems can be solved by Christian principles alone; but, equally, few such problems can be solved without those principles as a powerful element in the solution.

The economic result of a wholesale reception of Christian principle would, in itself, be very great. Let us take but a fleeting glance in three important directions:

(1) If everybody could be relied upon to be completely honest in their work, in the quality of the product and the amount of

¹ Most modern problems are, at bottom, economic. The pulpit and platform cannot be practical and, at the same time, not sometimes touch them definitely. This points to the desirability of some training in economics at college or in probationary work. For it is not enough that a speaker dealing with a burning question shall study books dealing with the actual problem—most special treatments being highly tendentious—he must have a knowledge of fundamental principles, especially of Value.

time spent, the saving in industrial oncost in timekeeping, in overlookers, in precautions against theft, in checkers and testers of quality, would be enormous. A foreman would still be needed for directing work, but not for disciplinary and similar purposes, and the result would be that a given aggregate of economic products would be available with a far less expenditure of total human effort.

(2) If there were complete ability on all sides to trust the other, and if we were all as keen in protecting the interests of others as our own, and securing that they should not suffer by any of the vicissitudes of business life more than could be helped, a large part of the wrangling and discontent and the waste of human effort in negotiation and in suspicious watchfulness would be saved. All parties might recognize the truth of the economist's teaching as to the crucial position of 'marginal reward,' but if all parties were equally determined that they would not themselves snatch the temporary advantages that changes in money-values confer, but would adjust them immediately instead of waiting until the force of circumstances compelled adjustment, one most fruitful source of social unrest would be removed.

(3) If upon every committee which is engaged in striking out the lines of the best policy or discovery, every one present was resolved not to make debating points, had no feeling about receding from a position taken up; if there were no face-saving; if there were no party feeling; if there were full and unfettered desire for complete and generous fairness, the celerity with which the truth could be found and accommodation reached would be of the highest economic advantage. In shape and functioning the great social machine might not be greatly different from what it is to-day, but the ease and smoothness of its working, and its adjustment to varying fortunes, would make it so different in degree from what we have now as to be almost a difference in kind.

Can there be any question, then, that we need more heart as well as more mind in the industrial problems? If I have emphasized one side more than the other for the

time being, it is because, reading an unaccustomed meaning
into some well-known lines, I seek that

, . . mystic harmony

Linking *sense* with sound and sight.

V

CHANGES IN THE ETHICAL DYNAMIC

34. THE PIONEER MIND

PROFESSOR GRAHAM WALLAS, in his recent work on *The Art of Thought*, analyses the type of thought which can make the strongest claim to be dominant in the United States. The Catholic tradition has contributed 'less than elsewhere to any general stream of thought,' but the most powerful influence has been what the Americans call the 'pioneer mind.' 'This type represents a combination between the evangelical Protestant tradition, which sees life on this world as infinitely unimportant when compared with the rewards and punishments of another world, and the intellectual habits arising from the facts of daily life . . . a toil unendurable unless their minds had been set on distant results rather than present enjoyment.' He quotes with approval a description of the pioneer mind by Dr. Frank Crane, who pointed out that all the great institutional forces ignored or ridiculed the Prohibition movement. 'What carried that movement to success was Main Street and its little church.' Dr. Crane said: 'The United States may not have a homogeneous population, but it has the most homogeneous spirit of any nation in the world. The people are essentially pioneers and the children of pioneers; the grim remnant of Puritanism, the deposit from the evangelical wave of the eighteenth century. Here is that deep feeling that man is first of all a moral creature with a context in eternity, and that every question is primarily a moral question; that a human being has first of all an

immortal soul, and that nothing shall be allowed to exist which imperils that soul.' Dr. Crane goes on to say that, being engaged in business, the American translates that into achievement, whereas the big word to Europe is 'enjoyment.' The European conceives himself as born to enjoy life, and he only works enough to enable himself to have means for this enjoyment. 'That is why the United States is so enormously efficient.'

The pioneer type is clearly still powerful, but Professor Wallas looks forward to considerable lessening of its power in future. For the forces against the possibility of Fundamentalism standing firm with the young generation are enormous, 'and with Fundamentalism may go the old, clear conviction of the utter insignificance of this life when compared with the life after death.' Further industrialization leads in the same direction. 'The man who sees daily before him his own newly-reclaimed farm, which his sons and daughters will inherit, may be content that in his own life he "never is, but always to be, blest."' The trade union miner, or factory hand, or engine driver, or the clerk or schoolmaster serving at a fixed salary some huge public or private corporation, is certain, sooner or later, to ask for a measure of blessedness here and now.'

35. RECENT CHANGES IN OUTLOOK ON SPIRITUAL VALUES

Here, then, is a potential alteration of a great economic dynamic under our very eyes, which may retard material development or betterment to a marked degree. Its cause is not the introduction or withdrawal of the Christian ethic; it is a change in the content of that ethic. To the souls of clear thinkers in action that change is more apparent than real, for the prospects of a life to come have rarely, in these cases, detracted from the beauty, seriousness, and high purpose of this present life. Even as a preparation for the future life this life could rightly be rich and joyous. For

thinkers in seclusion, in monasticism, this may not have been the case, but their significance as an economic dynamic was, in any case, small. But, for ordinary, simple folk, the doctrine that present pain and poverty would be proportionately or progressively compensated by greater joy or glory hereafter, and the converse instinct that undue pleasure and gaiety here would get a fell counterpart in the future life, were both strong incentives to a life of self-denial and frugal living, which, if combined with an active and adventurous spirit, issued in high endeavour. Love of immediate pleasure, a safe job, and present ease lead otherwise.

Effort may, indeed, be frittered away in securing, as against others, an extra bit of the narrow margin of existing rights, which would be far more fruitful in exploring the hinterland of economic possibility and bringing into service new areas of achievement. If we had reached the end of economic progress, it might be worth everything to strive over the precise division of what exists. If we stand, as it were, at the centre of material development, looking away to a closed circumference, the radial boundary between us and our neighbours may be of paramount importance, for by moving it one may increase the area of the whole sector of one's reward—the division of the product of industry. And this may be worth much effort.

If the circumference is not closed, however, and can be constantly moved outwards, then that effort may be better rewarded if questions of radial division are ignored, and it is spent in bringing new territory into human ken. I have seen two holiday mites, holding jointly on to their tiny pail, staggering up from the sea edge to fill the little pits they had dug in the sand, and then fall to violent altercation as to an equitable division of the contents between the two sand-holes, spending such time thereon as, with an unlimited ocean, would have sufficed to fill the moats a dozen times. Of this order is that type of trade union policy

which makes the pace of the slower and weaker the pace of all, and treats always of what is as though it were final, instead of seeing what may be ; forgetting that only by the pioneer spirit have things become as good as they are, and probably only by one person doing or thinking differently from his fellow will the net return to human effort ever be better or fuller.

We may not all accept a view that that type of Fundamentalism which rests in questions of literal interpretation or non-scientific explanations of the world really affects the Christian ethic as a dynamic. But a change in attitude of mind towards the relative values or positions of the present and the future life certainly may be really significant, and it is a change which, not wholly perhaps, but in large part, may be independent of adherence to Fundamentalism in the first sense. Every modern evangelist knows the disadvantages he labours under, compared with his forerunners, in securing ' results ' in dynamic changes of life on the part of large numbers. The content of the Christian ethic has sufficiently changed for him to be unable conscientiously to use two powerful forces that a hundred, or even fifty, years ago were available in every pulpit—the appeal to fear and the appeal to ultimate gain, or the threat and the bribe.

This may be a rather brutal characterization of the more forceful methods of the past. But the panic of hell fire, luridly painted, has little power to-day to make a worthy dynamic change of life, for reasons which are obvious to you all. The idea that a life of eternal bliss is worth purchasing at the cost of a little inevitable self-sacrifice now, and is ' better business ' spiritually than a life of pleasure, was—rather more delicately stated, perhaps—a theme through much revival preaching, but it is now construed as unworthy of inclusion in Christian ethical teaching. Many new lives, thus begun, nourished a meagre spiritual content upon those same conceptions, and were pursued with either a sour rectitude or boisterous, self-opinionated piety which are

now repugnant to us. But I am far from denying that many a psychological change thus started soon came under the sway of the love of God and the highest spiritual impulse and direction.

To-day, however, with formalistic and legalistic conceptions of the Atonement in the background, the appeal of the modern preacher, through the love of God, to change the heart of man, is less clamant, less strident. Outwardly or sensationally it is less successful, but it is spiritually more beautiful and some consider more lasting.

But as a dynamic to economic action of the pioneer and high self-denial order, the old type of conversion was forceful and real, whether on the spiritual side it developed into the gracious and winning, or graceless and forbidding, type of character.

36. BOTH TYPES OF CHARACTER MAY YIELD ECONOMIC VALUES

We have, perhaps, to contrast two types of influence of the Christian ethic, to decide whether economic progress or attainment is likely to be furthered more by one or the other. On the one hand we have the almost insensible toning up of human purpose and self-reliance of the mass of humanity which comes from making the Christian ethic slowly more and more the common denominator of social ideas and institutions, and where conversion as a dynamic manifests itself in gradual but quietly persistent character-building. On the other we have gusts of sudden conviction, and lives brought to the steel of resolution by bigotedly-held and yet untenable beliefs, to become daily heroes in present self-effacement—the salt of the earth!

An economic conclusion in such a field must be a matter of personal judgement. Isolation of the economic results from all the other results of spiritual forces is distasteful. On stating a conclusion, one runs the risk of having it

taken as a preference or a conclusion over the whole field. But, viewing life as a whole, one ought to be able to say, without being misunderstood, that, while the actual *economic* result of a given course may be better, that course is not necessarily, as a whole, preferable.

In the absence of virgin forests to be conquered, for which task a rough, brave pioneer spirit is essential, and with the actual task, which lies before a community already developed in an economic sense, that of progressive amelioration and uplifting at innumerable points, and an improvement of balance and co-ordination, I think that the gradual betterment of human motive, of social institutions imbued with the spirit of the golden rule, which may follow from sustained application of Christian effort, may produce the greater economic enlargement after all. Weight and strength for the pioneer axe, if you like ; delicate adjustment, perfection, and smooth working of each differentiated part, and a perfect mutual understanding, for the complex organization of a populous community.

We have not to choose between two rival presentations of the Christian ethic, one of which furthers economic development while the other necessarily cramps it. Both kinds may set in motion forces which make for a greater economic development than would exist in the absence of such forces. On the one hand, a world with no sense of future values, with a blind regard for immediate profit and leisure (a 'one-talent' world), is a bad soil for progress. On the other, a world of low ideals, of the friction that comes from selfish delimitation and insistence on personal rights, of no incentive save the suicidal one of merely material gain, is equally inimical. Whichever soil is purified and enriched by Christian teaching and purpose must be richer to receive and nourish the seeds of human welfare.

VI

THE CHRISTIAN ETHIC AS A MIND-STIMULUS

37. THE SPARK OF INSPIRATION

IN my judgement, the penetrative power of new ideas and the illumination of fresh facets of thought, whether attained by painful toil or bestowed intuitively in the brain of man, are the most potent forces in economic advance. The breaking down of the dividing walls between two ideas in a single human mind, and their fusion into a new concept, may raise the standard of life of millions. How closely, then, should we study the conditions most favourable to such an 'accident,' the ways in which inhibition and conventional and cramping control are best broken down, the critical point and nurture of each promise of germination! But how little we really know of these conditions! Graham Wallas, in the *Art of Thought*, devotes a chapter to 'Thought and Emotion,' and shows how liberation, if I may use that word, comes through certain emotions—humour, sympathy, and, above all, imagination or poetical fervour; intellectual stimulus, or a moment of critical freedom from the rules, may accompany emotional abandon. The mind itself is weary of two and two making four—and making nothing of the four—when the heart or the imagination may carry that truth into a new relation. For a brief moment the eye, peering about in a murky light, flits over the keyhole of a new chamber of ideas standing revealed. Then the imaginative spirit feels:

. . . like some watcher of the skies
When a new planet swims into his ken ;
Or like stout Cortez when, with eagle eyes,
He stared at the Pacific—and all his men
Looked at each other with a wild surmise—
Silent, upon a peak in Darien.

There may be some intellectual habits or inhibitions which do not 'fuse' to any useful purpose, save in a high temperature or rare atmosphere. Graham Wallas does not specifically deal with the releasing quality of religious emotion. We know of the spiritual might that belongs to moments of immediacy, or direct communion. However described, it is the vital fact of religious experience—to some it overturns all values, or acts upon them as a violent fall would to the physical system. I do not know how far a penetrating scientific or formative judgement has ever been stimulated by the breaking down of mental conventions which has attended moments of religious conviction. But if humour and poetry have had their revealing qualities, it would be hard to suppose that religious emotions have been entirely negative of such results.

Even those who can give no general sanction to R. W. Trine will accept much of his teaching upon wisdom and interior illumination. 'Whenever for a moment we are in touch with the Infinite Source itself we are no longer slaves to personalities, institutions, or books'—in other words, we are freed from complexes and inhibitions. 'We should always keep ourselves open to suggestions of truth from these agencies. We should always regard them as agencies, however, and never as sources.' As Browning say :

There is an inmost critic in us all,
Where truth abides in fullness.

But it is probable that, just as the regular humorist and regular poet have notoriously no gift for discovery of *practical* innovations, so the *regular* practice of Christian thinking has no specially enabling qualities in the realm of new intellectual conceptions, and, failing other qualities conferred, may even be inhibitory in itself. Probably the mind, reaching its immediate boundaries in its mathematical or physical, or sociological, or philosophical analysis, in which it has moved for long, finds this releasing quality when emotion comes relatively seldom, or comes with a sense of relief to the daily round. Whether the stimulus of emotion under the Christian ethic be a potential or a real key to the unlocking of new knowledge or not, it is quite certain that no such release is possible unless there is preliminary hard thinking, experimentation, observation, and classification beforehand. For these alone is there any creative revelation. The pile must be well and carefully laid or ever the chance spark can fire it. There is no suggestion that religious doctrine has any important part in making a man a more careful or exact experimentalist and observer in physical sciences, or a more powerful and precise classifier or analyser in the mental sciences, so far as the apparatus of thought is concerned. Indeed, we duly comment on the fact if a cold and exact scientist or logician avows religious creed or exhibits spiritual emotion, as though there were something antithetical rather than complementary in their action. But this may indeed be a mere temporary phenomenon of the day, born of the apparent rivalries in kinds of revelation. There is no reason why, in some future scientific age, exact scientific qualities may not be closely associated with spiritual intuitions. On the one hand, after a period of intense specialization, the synthesis of the old-time 'natural philosopher,' even the metaphysic, may come again into its own as a revealer of truth. On the other hand, poetry, imagination, spiritual intuition, will also resume a new sway over the mental processes.

He ne'er is crowned
With immortality who fears to follow
Where airy voices lead.¹

I do not desire, therefore, to urge to-day any marked claim for Christian doctrine as in itself a trigger or spark to such scientific thinking as advances material discovery and, therefore, economic development. But it is far otherwise if we come to consider the motive force for discovery and amelioration which religious ideals may stimulate.

¹ Keats's *Endymion*.

VII

CONCLUSION

WE have been told that Christianity has never failed because it has never been tried. I might almost parallel this by saying that much of the world's present distress is due to the fact that economics has 'never been tried.' But in the one case it is the heart and spirit of man that has not risen to its great moral possibilities, while in the other it is the mind, intelligence or education of man that has not learned that mere wishes are of no avail against economic forces, and that the particular reveals but little of the general. Many have been so long imbued with the rather attractive and facile view that Christianity has only to be put into immediate general practice and made a general social rule, to produce a beatific world, that any idea of limitation, delays, or necessitated analysis, is a deeply wounding thought to them.

The more ardent amongst you, full of reforming zeal, may possibly say that I have belittled the power and scope of the Christian ethic, have backed it into an obscure corner, so to speak, and dared it to meddle with the world's affairs. But this would be far from my intention or my real view. It should not be necessary before this audience for me to touch upon the reforming and vitalizing power of the Christian message. Many of you are life exponents of that experience before whom I feel but a feeble amateur. I yield to none of you in my recognition that moral forces are the only forces that finally count in human well-being and progress, without which any civilization worth sharing must

fall to irretrievable ruin. Mazzini said 'The true instrument of the progress of a people is to be sought in the moral factor.' This was the galvanic spark in the philosophy of Lincoln. 'He stripped every question of its political and economic aspects laying bare its moral character.'¹

We belittle Victorian sentiment, but we have not outpaced its truth. 'It is impossible to effect any permanent reconstruction of the institutions of society without a previous reorganization of opinion and of life. The spiritual basis is necessary not merely to determine the character of the temporal reconstruction, but to supply the principal motive force by which the work is to be carried out.'²

The editor of the *Century Magazine* recently pleaded for a new 'Encyclopedist'—'an intuitive mind to discover and mass all the necessary raw materials for a thorough going renaissance of civilization, who would go with conscientious care through the findings of modern biology, psychology, anthropology, experimental ethics, genetics, economics, sociology, chemistry, physics, reducing to understandable terms the net social and spiritual contribution each of these adventures of the modern mind has made to the future of civilization and arrive at a fairly accurate sense of the dynamic ideas of the various sciences by applying them to the needs of the world.'

This great moral power that we have been considering takes its place with, and works through, other factors in the economic world. I have only tried to discern where this immense force can be directed for the greatest good and with the fullest hope of success. You can reduce my treatment to the most insignificant importance if you declare that the economic is of no importance in this life—let it go whither it will—that the spiritual alone matters. But the plain truth is that none of you act upon this creed, or really believe it. If you recite it as a creed, you have not worked it out in detail, and if as a practical consequence one half

¹ *If Lincoln were here*, John Wesley Hill. ² *Comte Positivism*, ch. iii.

of the population were starving, or whole districts of the world were out of action, you, like materialistic mortals, would be calling for economic remedies. The fact is, if you live in an economic world, you must pay some attention to its laws, as you live in a physical world and expect physical limitations. We believe that we live also in a spiritual world, the laws of which must be observed if we are not to suffer spiritual death.

Whether we consider the Christian ethic as a motive, as an administrative scheme, or as an intellectual revolt, it has its peculiar place which is more appropriate or proper to it than any other.

Many of you may think that to assign as the greatest work of the Christian ethic the slow process of individual character building, by precept, prayer, and practice, is timid and even prosaic. But I firmly believe that only by a general raising of human sentiment to deepen spiritual quality and to carry it over a wider field, can the factor of human motives and mutual trust be sufficiently changed to have an economic result. Long before it reaches that point, it will have abundant fruits in individual character, and even if its influence in economic betterment were negligible, it would still be the most worthy aim of human effort. The relations between different religious beliefs were at one time marred by most unethical and unedifying strife and bitterness. Unselfishness and toleration have now, to a great extent, permeated them and robbed them of their less attractive features. Cannot these spread in like manner over the economic relations between industrial classes?

Bruce Barton, in his reverently audacious book *The Man Nobody Knows*, describing Christ as the founder of modern business in whose methods all the fundamental principles of real advertising can be studied, says the main points of His business philosophy were (1) Whoever will be great must render great service; (2) Whoever will find himself at the top must be willing to lose himself at the bottom;

(3) The big rewards come to those who travel the second undemanded mile. 'Great progress will be made in the world when we rid ourselves of the idea that there is a difference between work and religious work. We have been taught that a man's daily business activities are selfish, and that only the time which he devotes to Church meetings and social activities is consecrated.'

There has been a slow evolution in the ideas of social virtues, out of the individual ones, and even now we should not all agree upon one single test of virtue. Vauvenargues said 'The preference of the general over the personal interest is the only definition that is worthy of virtue, and that should fix the idea of it.'

'The highest progress of man and of society consists in gradual increase of our mastery over all our defects, especially the defects of our moral nature.'¹ If a Positivist can declare this, the Christian should claim the secret of that mastery.

The outward forms and expressions of religious practice may not be relevant to-day to a business life in which men have little choice in their relationships other than choice on economic grounds. But its spirit remains and can be carried, not as a '*demand*,' but as an '*offer*,' wherever man is in a position to act and speak for himself.

Again, my meaning would be misunderstood if it were thought that I had taken all the warmth and colour out of moral enthusiasm for human betterment, if it is said that the only person who is likely to do anything effective in the world is the man who is impetuous and not afraid of excess or error in thought and action, whereas I would make him a lukewarm, limpid calculator of economic forces. As well freeze the romantic enthusiasms and exaggerations out of the love of youth, and make a calm and measured calculus of human attractions and advantages. But I would reply that romance can ill afford not to come down sometimes

¹ Comte *Positivism*, ch. iii.

to the practice of daily life, and the best and truest romance sustains and shines through the trials of chequered and prosaic days. So spiritual enthusiasms give the drive and the courage. As Aristotle said so long ago: 'Nothing grand or superior to the voice of common mortals can be spoken except by the agitated soul.'

Material progress remains as a heritage of the race, each succeeding generation having the full advantage of the past and its sages. In moral progress, on the other hand, each individual in each era has to fight the age-long battle with himself, and the human drama repeats its act incessantly. But as human institutions and social standards are slowly raised in moral content, the fight takes on a new hopefulness and a new sustaining power. The rules are fairer and the elements kinder. On the other hand, the march of economic progress brings in new perils and makes the fight sterner and finer. Whether, in consequence, the individual struggle of the soul is harder on balance than it was in centuries gone by, I should hesitate to say. But the moral perils of progress have to be strenuously matched by a growing ethical quality in social judgements and opportunities, if man is to win out at last. Adams and Jefferson, friends so winsomely in their old age after a middle life of bitter opposition, exchange views on life and destiny. Says Adams very finely and truly: 'Have you ever found in history one single example of a nation thoroughly corrupted, that was afterwards restored to virtue? And without virtue there can be no political liberty. . . . Will you tell me how to prevent riches from becoming the effects of temperance and industry? Will you tell me how to prevent riches from producing luxury? Will you tell me how to prevent luxury from producing effeminacy, intoxication, extravagance, vice and folly?'

No serious person can reflect with complacency upon the worship of money power as the main object of

¹ *Correspondence of Adams and Jefferson*, p. 169.

human endeavour. 'Capitalism,' as Mr. Keynes has said, 'absolutely irreligious . . . often a mere congeries of possessors and pursuers,' has many unattractive, indeed repellent, features. But we are too close to it to say that it has no promise of a purer form, and no developing germ of unselfish purpose that shall make it the moral equal of the eras that have preceded it. The world wants a new sense of ultimate values, and a new moral patience in pursuing them. As Lowell says :

Swiftly the politic goes—is it dark ?

He borrows a lantern.

Slowly the statesman and sure,

Guiding his steps by the stars.

APPENDIX I

ON SPENDING¹

(1) *How far is economics concerned with morals?* Economics as the 'study of man's behaviour in pursuit of wealth,' or, to put it a little less provocatively, in getting his livelihood, has never made most progress when it has been most 'cluttered up' with all kinds of moral considerations. It has apparently as much right to be developed as a study of facts and tendencies, as the science of numbers, or physics, or chemistry. There is the same obligation to make the proper moral application of its results in real life. The forces that physical science discovers and controls may be applied to ignoble or noble purposes, but the physicist has not to be perpetually reading these purposes into his test-tubes. So, it is said economic principles, when determined, may be 'corrected' with moral elements before application to life. It is idle to say that such and such *ought* to be men's aims or methods in business, if in fact they are not. It is idle to say that men should have and enjoy this or that much wealth if, statistically determined, it does not exist. But, as a matter of fact, economic study cannot be wholly divorced from moral considerations even in extreme and severe analysis, because it has to take for granted certain universal human motives, a kind of general 'every man in the main for himself.' The question is, how much 'in the main'? And this personal element may be brutish and blind, or it may be shot through and through with unselfish aims. A simple scheme of economics based solely on the money-aim, or purely barbaric impulses, would be totally false in a world abounding in love of leisure, variety of work, pride of institution, or personal loyalty of service, indifference to monetary rewards and overflowing kindness. Therefore, as the world grows better, the postulates of the science, as the common factor of human motive, may be slowly raised in altruistic and moral quality.

¹ Reprinted from *The Brotherhood World*, October, 1925.

(2) *Economics may extend to spending as well as to getting.* Economic science has hitherto almost had to ignore *moral differences of demand*. Its laws of demand and supply apply equally to all things that satisfy human desire, however extreme in the moral scale : Bibles and beer, drugs and dictionaries, the services of doctors and bookmakers. The betterment of the world has been sought through improvements in production of material things, the development of new methods and resources, better transportation and distribution of products, as well as in the more even sharing out of the results or rewards. But the science has seemed to end at the rules for the *getting* of income and stopped short of betterment by new rules for the *spending* of income. Spending is every man's personal affair—how can it affect the economic world? Show from a hundred platforms, if you like, how it may affect the moral life of the man, glorify thrift, abstinence, moderation, but, except for the fact that a collection of better parts may make a better whole, how does it touch the economic betterment of the world?

(3) *Better economic conditions may make better morals.* Let us not belittle the moral possibilities of such economic betterment, for, whatever be the peril of riches, let no man say seriously that it is easier to live a moral life in penury, or that romantic love thrives best upon poverty.

(4) *Demand (or spending) is really master.* It is, after all, individual demand that is the mainspring of the economic clock. If a thing is not wanted, not demanded, its production will soon cease. Demand is thus the real master. It is true that modern civilization often decides to *create* demand, makes the production first, in the fond conviction, especially by the aid of advertising, that the existence of the supply will evoke the demand of people who would never have taken the initiative. No ordinary person had a demand for wireless until the supply created it. During the war we learnt our first lessons ; the satisfaction of two wants was contrasted. One was against our national interests, for it involved the use of tonnage much needed for other essential things, or the employment of men who might otherwise be fighting, whereas the other had no such tendencies militating against our success in war.

(5) *Three uses of income.* Expressed in different directions,

the same is true to-day. We could make a more efficient economic, producing world if in large numbers we directed our spending into the most 'economic' channels. It might even be worth much time and effort to study and eliminate uneconomic spending. A man makes three uses of his income—he gives away, or spends, or saves. Now I shall not deal with unwise giving—that indiscriminate giving out of full hearts which is sometimes quite anti-social and creates further problems for society—for it is outside my present scope. A sharp distinction is usually drawn between saving and spending because there is an important difference to the individual. But, in reality, for the community money 'saved' is spent just as much as what we usually call spending. The only difference is that it is spent on rather different objects—production goods instead of consumption goods. For money saved, except in a teapot, goes into industry by devious routes, and builds factories, or houses, or ships, or develops lands and mines. Whether I save or spend a pound is the difference between a demand for bricks or a demand for boots. On the whole, to-day, perhaps the spending that we direct through our savings is quite as important as our spending on goods of everyday consumption. The only point is that most of us who put by small sums hardly know what becomes of our savings, because their destination is settled by others, our savings banks and friendly societies; so that, in practice, if we are to exert an influence upon the economic world, we must do so through our day to day spending.

(6) *Directional savings may require personal sacrifice.* Nevertheless, before I pass to this aspect I should like to say a word or two about the influence that can be exerted upon the country's development if we have money to use in direct investment. Hitherto, of what I might call directional saving, i.e. a saving made to further definite advantageous objects, there has been but little. The only test has been the economic one of the promised rate of interest—that appeal for capital which has undertaken to pay the higher rate of interest, has *ceteris paribus* received the larger offer of capital, and people have not bothered very much about the comparative moral, and still less about the comparative economic, advantages to the community. The consequence is that many enterprises which would have been

of the greatest value to the community, finding themselves obliged to compete and pay the higher rates offered by other enterprises, have failed to mature.

(7) *Scope for economic purpose in saving.* Now it might very well be that the capital required for housing through building societies, or for town development, parks, and communal amenities, or for national development of one kind or another, would amount to a given number of millions. On the other hand, enterprising business men may see openings for new patent medicines, cinemas, breweries and other activities which, if not actually injurious to the community, at any rate take a second line of importance. In the competition for capital these enterprises can probably count upon, and offer, higher rates. The major part of the limited amount of savings of the community will go in this direction instead of the other. Now, at a time when our savings are distinctly limited, should we not get away from the mere question of the superior marginal return—the purely economic test at the moment—and, even at some small sacrifice of personal income, in the interests of communal development actually *direct* our savings into the quarters which are going to mean the most for the economic development of the race now and hereafter? The question is being actively raised, and with some good reason, whether we should not focus this limited amount of capital upon our home industries pending the absorption of some considerable amount of our unemployed labour, rather than continue foreign investment, albeit of a profitable character, on the scale of former times. There is much to be said on both sides of this question, but it raises the broad issue of modifying the purely economic test by actual far-reaching purposive direction.

(8) *But what may we say of directional spending?* If I spend a shilling in one way as compared with another, is it possible that I may make for a better balanced and more productive economic England, or does it not make any difference in the long run? If it does not make any difference, then I might just as well study my own feelings and please myself, but if it does, then I have a social duty to be added to my personal feeling. Uneconomic spending has two aspects: the effect upon myself and the effect upon others. It is quite obvious that I have

the choice of spending a given amount in widely different ways which will react very differently upon my productive efficiency and my general value to the community. We all know the difference between two men, one of whom spends a large proportion of his income in alcohol, tobacco, betting, amusements, football, cinemas, &c., as compared with another who develops to the full the possibilities of his home, his garden produce, the education of his children, the development of his mind, and the acquisition of permanent assets. We hear much in the United States, for instance, of the aggregate of economic stability and efficiency and home happiness that has come from redirecting a given amount of purchasing power away from the saloon—and here I am not in any way commenting upon the moral aspect of the matter—to home ownership, every workman in possession of his own car, the universal use of radio, &c.

(9) *Economic self-sacrifice.* Professor Pigou, writing on the economic aspect of the private use of money, says :

‘ We have no duty to hurt ourselves a great deal in order to benefit somebody else a very little, but we have a duty to hurt ourselves a very little if by so doing we can benefit somebody else a great deal. Nobody would say, for example, that it is my duty to eat no food at all in order that somebody else may be enabled to have eight instead of seven courses for dinner, but everybody would say that I ought to accept seven courses instead of eight if thereby I could save somebody from dying of starvation.’

(10) *Promoting the best conditions.* We know so little, as a rule, about the conditions under which the things we buy are produced that it is probably a little Utopian to suggest that we can direct our spending with this in mind. Nevertheless, a certain amount of information is available, and a decided preference by a large body of consumers to buy goods produced under the best conditions for the workers, compared with rival goods a $\frac{1}{2}d.$ cheaper produced under bad conditions, would do more in six months to promote industrial well-being than years of agitation and talk upon reform. Yet, so far, common action through Consumers’ Associations has been very narrow in its scope.

(11) *Luxury goods are not always uneconomic.* Let me here

clear up a possible misconception. Once having decided how much we shall give away, and how much we shall save, there is no necessary presumption that our spending of the rest will be better if it is made upon what are called 'necessaries' as compared with luxuries; for I am speaking of the economic, rather than the ethical, effects of spending. In deciding between two objects of expenditure we have an obligation to consider—which is the worthier component of society as a permanent instrument—and to avoid, as far as possible, giving temporary encouragement to an unstable industry. The purchase of good quality or, say, luxurious articles of a stable character does not offend against this rule, whereas the purchase of some fashionable trifle which calls into being employed capital and skill and then, with the vagaries of fashion, throws that capital and skill into unemployment the following year, is obviously uneconomic.

(12) *Intelligent consideration of current conditions of production is required.* As buyers we tend to 'crowd' demand, regarding the satisfaction of our own desire to be 'in the swim' and disregarding the effect upon producers. Thus we flock to enjoy some novelty and redirect a part of our purchasing power. The producers work night and day with intensive overtime, and 'business is good.' But some now neglected industry may go on short time in consequence. This instability is an economic evil of the worst kind, because it *spreads the unevenness* of economic movement. The Group B who have temporarily more wages do not put the extra amount to the same uses as the Group A have compulsorily abandoned. Demand can be re-directed instantaneously and wantonly; supply can only be modified slowly and with human privation. I know that progress means the stage coach giving way to the railway; but, economically, it is 'kind' to hold off a market when every one seems to be clamouring for its goods, and 'kind' to focus our spending on particular things in their slack times, even though our own need is not immediate.

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This is only the barest introduction to the possibilities before us of improving the world of production by individual forethought and selection. Let us remember that evil is wrought by want of thought, as well as want of heart.

APPENDIX II

ON SAVING¹

MR. MAYOR, LADIES, AND GENTLEMEN,—The whole subject of this savings movement is capable of being treated, not only in its personal aspects, but in its national and economic aspects also. You here, who are such devoted workers right in the front line of action, are most fully alive to the individual and personal questions which it raises. The carefully-fostered habit of thrift has most important reactions on the character of the individual—influences all to the good in building up a self-reliant population. Anything which teaches men to do more than live for the moment, to deny themselves a pleasure now for a greater one later on, or to deny themselves a pleasure at all for the greater pleasure of others, is such a thing as must strengthen the individual will. Such an influence is the habit of thrift. Anything that teaches men that life is more than a succession of days and weeks, to be got through somehow, each separate from the other, and that life is greatest if it is looked at as a whole, and planned for as a whole, has a powerful and worthy influence on character.

When primitive man learned to do something more than meet his immediate need of food, and to spare something to sustain him while he did something else, he began to make tools. This increased his power over Nature. It was the beginning of foresight—or aim in life. It soon became the beginning of civilization, and civilization will advance in proportion as men are able to deny themselves the satisfaction of the moment to build up the arts of production, and as each comes to think, not merely of day to day as part of a considered and concerted life, but also of his life and his neighbour's life as part of a linked and

¹ Extracts from a speech at a luncheon given by the Mayor of Blackpool to the Delegates attending the Annual Conference of Local Savings Committees in the North-Western Region (Cumbria, Lancashire, and Westmorland), October 9, 1925, reprinted by the National Savings Committee.

concerted national being. The habit of saving contributes to this—anything which makes men less dependent upon the varying forces of the moment, upon the charity and pity of others ; anything which makes them more independent, makes them more self-reliant, gives their abilities the best chance—confers that ‘ superiority complex ’ which is so essential to the best work. The habit and results of saving are a powerful factor in independence. On the negative side, anything which confers freedom from anxiety, from a sense of worry, puts the soul and motive force of man into the very framework of serenity—that promoter of good and powerful work, that blessed angel of leisure. Nothing so lowers the general vitality as the canker of care. How much may mean that little hoard of savings !

Then, again, the nation will be strong in proportion as its inhabitants become real citizens, and try to understand public affairs. How much finance means in all national and local affairs, and how quickly the general interest will be awakened in them if every individual who is saving his money for the State is interested in the security of his investment and the use of his money ! This interest will grow slowly, but it will grow surely. The reactions of all your efforts upon individual character are thus supreme and superb.

Then how great is the advantage conferred upon the nation ! It is not merely that you concentrate a number of small rivulets, each without power in itself, into a mighty stream ; it is far more than that, for you actually create rivulets where none would exist. How often the opportunity for virtue creates virtue, though we are in the habit of thinking most of its converse—that opportunity for vice makes for sinners. The existence of a machinery for ready saving, and the fostered spirit of it, make savings where none would otherwise exist, and call them into being. You are not merely organizers, you are creators, and, as a noble by-product, you are fostering a sense of national solidarity.

All of this is familiar to you, for it lies in the personal field of your work. I want really to speak, in the main, upon the position of your whole movement in relation to the national economics. What is the importance of the accumulation of capital to us all ? What is the outlook for it ? It is often said

that capital is useless without the worker. True, but so also would the worker be pretty helpless without the capital. He would soon be living on a standard of life equal to that of a primitive people. One of the great, distinguishing features of the nineteenth century was the extraordinary accumulation of capital, which, working together with improvements in the arts, vastly increased the production of wealth *per head*, and, therefore, improved the standard of life. Now, as each new worker comes into the field of production from the school life, it is important that he shall meet the quota of new capital waiting in the industrial field ready to co-operate with him in maintaining and improving the production per head. If that new capital is not there, he must share with the rest of the population the old capital, and share very much the old results of it. In a few years the national productivity per head of the population will sink, either actually or in comparison with that of other communities, for the latest improved aids to production will not be forthcoming. No power on earth can avoid this result. It is not a question as to who *owns the capital*. That, in this particular connexion, however important in others, signifies little. Quite ignoring the ownership of capital by the few—and possibly even because of it—the results and benefits before the war to the many were so tremendous that every member of the population became four times as well off in real goods and services as his predecessor in the nation 120 years before. The *existence* of the capital is the thing that matters for this purpose of industrial co-operation, because it brings new wealth into being. Nevertheless, the distribution of its ownership is the more valuable if it is wide. So by inculcating the habit of saving among the people themselves you are doing a double service. The worker is enabled to keep up the supply of wealth, and to take both rewards—the reward of labour and the reward of capital (or daily abstinence or waiting) as well.

Now, is the outlook for saving as good to-day as it was before the war? Then we were saving somewhere between 350 and 400 millions per annum (probably, at the end, nearer the upper limit), one-half of it being invested at home, and the other promoting our exports by investment abroad. Having regard to the change in the value of money and the increase in the

population, to-day we ought to save nearly 700 millions per annum, if we are to be in exactly the same position. As a matter of fact, I believe we are falling far short of this, and I think the savings at the present time do not exceed 450 millions a year—only some 65 per cent. of what is wanted to keep us in the same position of annual growth and improvement of standard as before the war.

I will mention three factors which bear upon this situation. In the first place, our actual production at the present time is probably somewhere in the neighbourhood of 95 per cent. of pre-war production, whereas it ought to be 107 per cent. to be the same *per head of the population*. But true savings can only come out of actual production, and, therefore, the scope for savings is reduced. Moreover, since we have obviously to 'live' first, savings tend to come out of the upper portion of each income, and if the income is diminished there is less 'upper portion' available. It may well be that the bulk of this diminution in production affects saving directly. In the second place, as a consequence of the war, taxation is very heavy, and the 'marginal return' upon effort is much smaller than it used to be. For progressive taxation puts the highest rate upon the top 'layer' of income, and if a man gets an addition to income the addition bears a much higher rate than the average rate charged upon his whole income. This affects men's incentive to work, and also, in many cases, the incentive to save, particularly on the part of the richer people, on whom we have relied so much in the past to provide us with capital. Take a man in a superior managerial position getting some thousands a year; an extra thousand looks like a noble addition to his resources to enable him to provide for the future, but, after paying tax, he has been left with between five and six hundred. This should give him, in a decent security, some £25 or £26 a year, but this income in turn is taxed, and he actually gets only £14 or £15 net as an addition to his resources. So you will see what I mean when I speak of the incentive for saving being diminished in the case of many people. In the third place, you enjoy the benefit of a high degree of progression in your system of taxation. On excellent grounds, which can be well defended, very large sums are taken from the higher incomes. The effect

upon the range of net incomes of the nation is that they are much more evenly distributed than they would otherwise be. But the top portion of a big income used to contribute materially towards saving. To-day you take away that top portion for taxes. The great mass of the people benefit by this system, for, if it did not exist, they would have to bear a greater proportion of the national expenditure and have a smaller net income. Fortunately, not all that is taken away from the rich is spent—it becomes part of the national savings in the hands of the Government when they help to build houses or repay national debt.

If the total national obligations are distributed in such a way as to throw the main burden on one end of the scale, then those on other parts of the scale are—whether they realize it or not—reaping a considerable benefit. Progressive taxation in this sense is a boon to those who would otherwise, in its absence, be more heavily taxed. Now, if the possibility of contributing to the capital accumulation on the part of those more heavily taxed has been diminished, the duty of making good the difference falls upon those who benefit under the taxation scheme. It is pretty clear to me that, at the present time, the necessity for this gap being filled is not really felt by the mass of the people, and the duty to fill it is not even realized, let alone discharged.

It will need quite an appreciable amount of saving per head by the working and middle classes to make good the diminished amount of saving caused by the heavy taxation upon the rich. Let us agree that it is in the national interests that a given amount should be accumulated every year. In my judgement it is socially a far finer thing for 100 people to save £10 each than for one person to save £1,000. I do not, therefore, deplore the change over, provided that it is *really made*, and that we do not fall between two stools!

I have already spoken of the unique position of the nineteenth century—which Mr. Keynes has eloquently shown to be unstable—in which the great masses of the people acquiesced in the accumulation of great riches by the few on the tacit understanding that the few did not spend it upon themselves, but turned it in again into the field of production. In the long run, in that century there was little intrinsic economic difference

between such action and a more diversified ownership. I only wish to make the point now that, so far as national savings are concerned, we are taking away from the power of the rich without making sure that we have secured the new supply to an equivalent extent from the other classes. If those classes are enjoying the privileges of this enforced redistribution of wealth, they must at least discharge its responsibilities. A share of privileges ought to mean a share of responsibility; and a democracy that will not let its wealthy save and will not save for itself must slowly sink in the scale of civilization.

We have, therefore, to construct a new programme of national accumulation. At the present time the two most hopeful features in it are the National Savings Certificate Movement and the growth of home ownership through building societies. This is not the place for me to discuss the latter—in which I take a close personal interest—but it has its own peculiar advantages as a form of thrift. The National Savings Certificates have reached a total approaching 600 millions in cash subscription, or 400 millions net after allowing for withdrawals. In the last completed year over 32 millions was invested. It is true that 29 millions was withdrawn, but you must not fall into the error of thinking that the withdrawal necessarily cancelled its character as savings. It does not follow because money is withdrawn that it is immediately spent in riotous living. Generally, it merely changes its form, pays off mortgages, sets up homes, or becomes taken up in other investments. Only a very small proportion of it will really lose its character as saving, whereas the *original* subscriptions, as indicated by the gross figures, nearly always represent brand-new abstention from ordinary spending at real personal sacrifice, and a genuine permanent addition to capital accumulation. . . .

It is impossible in the long run to lend abroad more than our true savings in excess of our home requirements. Lending money abroad can, therefore, only improve our export trade within these limits. Even our export activity in this sense is thus dependent upon the magnitude of our savings, so far as it is linked up with our readiness to subscribe to foreign loans. Your particular money may not go into foreign loans, but it will take its own place in the home capital requirements and

free somebody else's capital for this export purpose, just as many of the ladies here were able to do a man's job during the war and free him to fight abroad.

As workers in the National Savings Movement, you will continue to emphasize the valuable personal aspects of thrift, and the greater security and independence of life which it will bring about. But sometimes you may also, with advantage, urge upon your subscribers those economic necessities of a national character of which I have spoken to-day. Your work is such a noble and constructive one that all its aspects should be expounded, all its advantages advertised, and the results of all your efforts carried to their maximum possibilities with young and old.

You are our economists in the highest and most practical sense ; peacemakers, too, and the spreaders of energy and content ; purveyors of the very vitamins to our body politic.

APPENDIX III

ON REDISTRIBUTION OF THE STANDARD OF LIVING¹

CAN THE STANDARD OF LIVING BE RAISED?

AN EXAMINATION OF NATIONAL INCOME

IN 1920 I made a computation showing what would be the result if, in the United Kingdom, all incomes above a certain modest level were put into a pool and then shared out. It showed that the spendable resources of each family would not be improved by more than five shillings a week at the outside for the first year, and probably even a less sum thereafter.

At Cambridge recently I was asked to bring this calculation up-to-date, and in the course of an hour's exposition of the figures it appeared that the amount shown by the original calculation could not be increased. I explained that the whole idea of such a division was very artificial, since it could never be physically carried out, but it served a useful purpose because it showed the kind of hard statistical limit of any such arrangement. Also, I indicated that if the standard of life is to be substantially improved, it can only come about by increasing the total product of industry by harder work and greater efficiency and thrift, which must inevitably yield far better results than the most successful industrial struggles for altering the proportion in which the *existing* product of industry is divided. The figures show that most people, reasoning from the particular, have an altogether too exalted idea as to the standard that the total existing product of industry can really provide.

Space will not suffice for me to show every item of the calculation in the same detail as at Cambridge, and particularly to discuss the possible limits of error. At each point there is a figure which,

¹ Reprinted from daily Press, November 1st, 1925.

while it may not be the actually true one, is the most probable, and there are also limits within which the truth *must* fall. By carrying these limits through to the end of the calculation, the amount of possible error in the final estimate is also known.

WHAT IS OUR NATIONAL INCOME?

At the present time we have no accurate calculation of the total national income, though we hope that one will be available before very long. We have, however, as a starting-point the total income of those who have more than the income-tax exemption level. We start with the figure of 2,353 millions (Commissioners of Inland Revenue Report) for the year 1922-23, and practically the same figure for 1923-24. The amount of the income falling between the exemption limit and £250 lies between 641 and 719 millions. (This figure is got by using the detailed tables of income distribution given several years ago; by considering the relation of the graduation for super-tax over the four years; and by examining the allowances of a personal character.)

The total income after excluding those below £250 is thus about 1,673 millions, with a definite margin of possible error. Now, a considerable portion of this amount is never distributed to individuals at all; it forms the income of charitable institutions and various communal bodies and charities, and cannot be spent by persons. This lies between 260 and 307 millions, (A) taking into account company reserves, &c., and brings the income that accrues to individuals down to a mean figure of 1,390 millions, also with a definite margin of error.

HOW IT IS DISTRIBUTED

The number of people who at present get this amount in order to retain £250 each would require to draw 414 millions, with a margin of 20 millions either way. This reduces the mean figure of 1,390 millions to 976 millions as the surplus in the pool. We have to assume before we can calculate distributable spendable income how much must be drawn for national and local purposes in the form of taxes, so that the existing objects may be maintained and the common services paid for on their present level.

This is a somewhat elaborate calculation, but after taking a

known amount of income-tax and an estimated amount of death duties payable by people with incomes over £250, and deducting therefrom that portion of the income-tax which is paid on undistributed income referred to above, then adding about one-ninth of the Customs and Excise revenue (with a large allowance for error) and a proportion for local rates, I arrive at the figure of 432 millions (with a margin of error of 25 millions) as being the tax paid out of the block of income belonging to people with incomes over £250 a year. If this taxation is deducted from the 976 millions *arrived at above*, we have a mean figure of 544 millions.

NOT SPENDABLE INCOME

Now, the whole calculation is directed towards obtaining a net amount of *spendable income*. So far nothing has been allowed for savings, and the computation assumes that certain savings are essential to a growing community if the output per head and the standard of life per head are to be maintained. In other words, it would be impossible to divide up as spendable income a pool which made no allowance for maintaining capital enterprise in its present vigour—no question of the *ownership* of such capital being involved. If we take as a basic assumption that pre-war savings per head represent a rate that it is desirable to maintain we have a fair working hypothesis. Individuals can vary this assumption to their taste, but it is the one adopted for this calculation.

The savings before the war I take as 375 millions (plus or minus 25 millions). Personally, I incline to the higher limit. These represent, at present money values, with a 60 per cent. increase, 600 millions, and if we are to have the same amount *per head* it reaches 644 millions (plus or minus 40 millions) necessary to provide the same annual increase in factories, houses, ships, and other capital goods as before.

Now, a considerable contribution has been made to this fund out of the collective incomes referred to above (A). This collective contribution is in the neighbourhood of 145 millions after allowing for the income-tax upon it. This means that the savings still to come out of the pool would have to be 499 millions (with a margin of error of about 50 millions).

MAIN CONCLUSION

The amount left in the pool at the last point to which I carried it above was 544 millions. We have, therefore, as our mean resultant figure of spendable income left in the pool some 45 millions. After consolidating the various margins of possible error that have been carried down, we can fairly say that the amount in the pool must lie between 'nil' and 125 millions. Now, in order to provide $10\frac{3}{4}$ million 'families' with 5s. per week of additional spending income each we should need practically 140 millions. It will be seen, therefore, that the main conclusion that such a pooling of spendable resources would not provide an additional 5s. per week is well within the maximum statistical possibilities of the case.

It may be urged that we have started off with a figure which, in itself, is open to challenge—for example, that there is heavy evasion of income tax. As to the extent of such evasion, space does not permit me to give any examination here, but I would point out that the figures make no allowance for an appreciable range of losses which do not affect the income-tax totals, but which would affect the distributable wealth. Moreover, nothing is deducted for the payments by individuals for charitable and religious purposes, their subscriptions to hospitals, orphanages, &c., which amount, of course, to a very considerable sum. One would naturally assume that it would be desired to maintain these institutions.

On the whole, the omission of items for which no precise calculations have been made tends, on balance, to make the calculation rather larger than it should properly be.

THREE DEDUCTIONS—

The next question is : *How can these things be ?* Is it possible that, with the immense amount of wealth that is flaunted around us in luxury, such a ridiculous result can be true ? Here a number of points emerge : First, we see the height of the peaks of the Alpine ranges, and do not realize the vast extent of the level ground. The effect of levelling the whole of these majestic heights over Europe would be to raise the general level only a few inches. It is the same with the concentration of wealth.

Secondly, the limit adopted, viz. £250, is considerably higher than the average income per family, and, therefore, on an equal distribution the people with only £250 a year would have to give up a considerable amount. Thirdly, the amount of the pool would be substantially increased if we make the improvident assumption that savings should be much *less* than the amount allowed for above, or if we assert, as we very well may, that they are *in fact* less. If savings do not exceed 450 millions at the present time, obviously the spendable pool would extend to another 7s. 6d. per week. The economic effects of doing this, however, would be powerful in succeeding years, and against the common interest.

I have already spoken of the artificial character of such a division, by which I mean that many of the values which enter into these calculations are only values in the existing condition of society. An item of £1,000 which is worth that amount to a man with £10,000 a year would sometimes cease to have any value at all if it were to be available only to people with £250. Moreover, the question of incentive at once arises, i.e. whether the commencing aggregate above could be maintained if the larger rewards of work and effort were withdrawn.

—AND THREE LESSONS

Personally, I draw three lessons from these inexorable statistics :

(1) That all the wealth that we produce, even if equally divided, would provide a standard far less than the average social reformer thinks is actually in existence.

(2) That it is better to have a moderate proportion of a large aggregate produced by willing co-operation of all parties than a larger proportion of a meagre aggregate, which results from the stinted and stunted efforts of all parties watching each other in daily jealousy and internal conflict.

(3) That the standard of life to be obtained without elaborate contest, as a share of universal hard work and efficiency under stable conditions, far exceeds any standard that can be got out of the production that results in a world of suspicion and artificial restriction.

